

***Regulation of Lung Tissue by Hedgehog-like Polypeptides, and Formulations
and Uses Related Thereto***

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The government may have rights in inventions described herein.

Related Applications

10 This application claims priority to US Provisional application 60/099,952, filed
September 11, 1998 and entitled "Regulation of Lung Tissue by *Hedgehog*-like Polypeptides,
and Formulations and Uses Related Thereto", the specification of which is incorporated by
reference herein.

Background of the Invention

15 Pattern formation is the activity by which embryonic cells form ordered spatial
arrangements of differentiated tissues. The physical complexity of higher organisms arises
during embryogenesis through the interplay of cell-intrinsic lineage and cell-extrinsic
signaling. Inductive interactions are essential to embryonic patterning in vertebrate
development from the earliest establishment of the body plan, to the patterning of the organ
20 systems, to the generation of diverse cell types during tissue differentiation (Davidson, E.,
(1990) *Development* 108: 365-389; Gurdon, J. B., (1992) *Cell* 68: 185-199; Jessell, T. M. et
al., (1992) *Cell* 68: 257-270). The effects of developmental cell interactions are varied.
Typically, responding cells are diverted from one route of cell differentiation to another by
inducing cells that differ from both the uninduced and induced states of the responding cells
25 (inductions). Sometimes cells induce their neighbors to differentiate like themselves
(homoio-genetic induction); in other cases a cell inhibits its neighbors from differentiating
like itself. Cell interactions in early development may be sequential, such that an initial
induction between two cell types leads to a progressive amplification of diversity. Moreover,

inductive interactions occur not only in embryos, but in adult cells as well, and can act to establish and maintain morphogenetic patterns as well as induce differentiation (J.B. Gurdon (1992) *Cell* 68:185-199).

Members of the *Hedgehog* family of signaling molecules mediate many important short- and long-range patterning processes during invertebrate and vertebrate development. In the fly a single *hedgehog* gene regulates segmental and imaginal disc patterning. In contrast, in vertebrates a *hedgehog* gene family is involved in the control of left-right asymmetry, polarity in the CNS, somites and limb, organogenesis, chondrogenesis and spermatogenesis.

The first *hedgehog* gene was identified by a genetic screen in the fruitfly *Drosophila melanogaster* (Nüsslein-Volhard, C. and Wieschaus, E. (1980) *Nature* 287, 795-801). This screen identified a number of mutations affecting embryonic and larval development. In 1992 and 1993, the molecular nature of the *Drosophila hedgehog* (*hh*) gene was reported (C.F., Lee et al. (1992) *Cell* 71, 33-50), and since then, several *hedgehog* homologues have been isolated from various vertebrate species. While only one *hedgehog* gene has been found in *Drosophila* and other invertebrates, multiple *Hedgehog* genes are present in vertebrates.

The various *Hedgehog* proteins consist of a signal peptide, a highly conserved N-terminal region, and a more divergent C-terminal domain. In addition to signal sequence cleavage in the secretory pathway (Lee, J.J. et al. (1992) *Cell* 71:33-50; Tabata, T. et al. (1992) *Genes Dev.* 2635-2645; Chang, D.E. et al. (1994) *Development* 120:3339-3353), *Hedgehog* precursor proteins undergo an internal autoproteolytic cleavage which depends on conserved sequences in the C-terminal portion (Lee et al. (1994) *Science* 266:1528-1537; Porter et al. (1995) *Nature* 374:363-366). This autocleavage leads to a 19 kD N-terminal peptide and a C-terminal peptide of 26-28 kD (Lee et al. (1992) *supra*; Tabata et al. (1992) *supra*; Chang et al. (1994) *supra*; Lee et al. (1994) *supra*; Bumcrot, D.A., et al. (1995) *Mol. Cell. Biol.* 15:2294-2303; Porter et al. (1995) *supra*; Ekker, S.C. et al. (1995) *Curr. Biol.* 5:944-955; Lai, C.J. et al. (1995) *Development* 121:2349-2360). The N-terminal peptide stays tightly associated with the surface of cells in which it was synthesized, while the C-terminal peptide is freely diffusible both *in vitro* and *in vivo* (Lee et al. (1994) *supra*; Bumcrot et al. (1995) *supra*; Mart', E. et al. (1995) *Development* 121:2537-2547; Roelink, H. et al. (1995) *Cell* 81:445-455). Interestingly, cell surface retention of the N-terminal

peptide is dependent on autocleavage, as a truncated form of HH encoded by an RNA which terminates precisely at the normal position of internal cleavage is diffusible *in vitro* (Porter *et al.* (1995) *supra*) and *in vivo* (Porter, J.A. *et al.* (1996) *Cell* 86, 21-34). Biochemical studies have shown that the autoproteolytic cleavage of the HH precursor protein proceeds through
 5 an internal thioester intermediate which subsequently is cleaved in a nucleophilic substitution. It is likely that the nucleophile is a small lipophilic molecule which becomes covalently bound to the C-terminal end of the N-peptide (Porter *et al.* (1996) *supra*), tethering it to the cell surface. The biological implications are profound. As a result of the tethering, a high local concentration of N-terminal *Hedgehog* peptide is generated on the surface of the
 10 *Hedgehog* producing cells. It is this N-terminal peptide which is both necessary and sufficient for short and long range *Hedgehog* signaling activities in *Drosophila* and vertebrates (Porter *et al.* (1995) *supra*; Ekker *et al.* (1995) *supra*; Lai *et al.* (1995) *supra*; Roelink, H. *et al.* (1995) *Cell* 81:445-455; Porter *et al.* (1996) *supra*; Fietz, M.J. *et al.* (1995) *Curr. Biol.* 5:643-651; Fan, C.-M. *et al.* (1995) *Cell* 81:457-465; Mart', E., *et al.* (1995) *Nature* 375:322-
 15 325; Lopez-Martinez *et al.* (1995) *Curr. Biol.* 5:791-795; Ekker, S.C. *et al.* (1995) *Development* 121:2337-2347; Forbes, A.J. *et al.* (1996) *Development* 122:1125-1135).

HH has been implicated in short- and long range patterning processes at various sites during *Drosophila* development. In the establishment of segment polarity in early embryos, it has short range effects which appear to be directly mediated, while in the patterning of the
 20 imaginal discs, it induces long range effects via the induction of secondary signals.

In vertebrates, several *hedgehog* genes have been cloned in the past few years (see Table 1). Of these genes, *Shh* has received most of the experimental attention, as it is expressed in different organizing centers which are the sources of signals that pattern neighbouring tissues. Recent evidence indicates that *Shh* is involved in these interactions.

25 The interaction of a *hedgehog* protein with one of its cognate receptor, *patched*, sets in motion a cascade involving the activation and inhibition of downstream effectors, the ultimate consequence of which is, in some instances, a detectable change in the transcription or translation of a gene. Transcriptional targets of *hedgehog* signaling are the *patched* gene itself (Hidalgo and Ingham, 1990 *Development* 110, 291-301; Marigo *et al.*, 1996) and the
 30 vertebrate homologs of the *drosophila cubitus interruptus* (Ci) gene, the *GLI* genes (Hui *et al.*

(1994) *Dev Biol* 162:402-413). *Patched* gene expression has been shown to be induced in cells of the limb bud and the neural plate that are responsive to *Shh*. (Marigo et al. (1996) *Development* 122:1225-1233). The *GLI* genes encode putative transcription factors having zinc finger DNA binding domains (Orenic et al. (1990) *Genes & Dev* 4:1053-1067; Kinzler et al. (1990) *Mol Cell Biol* 10:634-642). Transcription of the *GLI* gene has been reported to be upregulated in response to *hedgehog* in limb buds, while transcription of the *GLI3* gene is downregulated in response to *hedgehog* induction (Marigo et al. (1996) *Development* 122:1225-1233). Moreover, it has been demonstrated that elevated levels of Ci are sufficient to activate *patched* (*ptc*) and other *hedgehog* target genes, even in the absence of *hedgehog* activity.

Summary of the Invention

One aspect of the present application relates to a method for modulating the growth state of an lung tissue, or a cell thereof, e.g., by ectopically contacting the tissue, *in vitro* or *in vivo*, with a *hedgehog* therapeutic, a *ptc* therapeutic, or an *FGF-10* therapeutic (described *infra*) in an amount effective to alter the rate (promote or inhibit) of proliferation of cells in the lung tissue, e.g., relative to the absence of administration of the *hedgehog* therapeutic or *ptc* therapeutic. The subject method can be used, for example, to modulate the growth state of epithelial and/or mesenchymal cells of a lung tissue, such as may be useful as part of a regimen for prevention of a disease state, or in the treatment of an existing disease state or other damage to the lung tissue.

Wherein the subject method is carried out using a *hedgehog* therapeutic, the *hedgehog* therapeutic preferably a polypeptide including a *hedgehog* portion comprising at least a bioactive extracellular portion of a *hedgehog* protein, e.g., the *hedgehog* portion includes at least 50, 100 or 150 (contiguous) amino acid residues of an N-terminal half of a *hedgehog* protein. In preferred embodiments, the *hedgehog* portion includes at least a portion of the *hedgehog* protein corresponding to a 19kd fragment of the extracellular domain of a *hedgehog* protein.

In certain preferred embodiments, the *hedgehog* portion has an amino acid sequence at least 60, 75, 85, or 95 percent identical with a *hedgehog* protein of any of SEQ ID Nos. 10-18 or 20, though sequences identical to those sequence listing entries are also contemplated as useful in the present method. The *hedgehog* portion can be encoded by a nucleic acid
 5 which hybridizes under stringent conditions to a nucleic acid sequence of any of SEQ ID Nos. 1-9 or 19, e.g., the *hedgehog* portion can be encoded by a vertebrate *hedgehog* gene, especially a human *hedgehog* gene.

In certain embodiments, the *hedgehog* polypeptide is modified with one or more sterol moieties, e.g., cholesterol or a derivative thereof.

10 In certain embodiments, the *hedgehog* polypeptide is modified with one or more fatty acid moieties, such as a fatty acid moiety selected from the group consisting of myristoyl, palmitoyl, stearoyl, and arachidoyl.

In other embodiments, the subject method can be carried out by administering a gene activation construct, wherein the gene activation construct is designed to recombine with a
 15 genomic *hedgehog* gene of the patient to provide a heterologous transcriptional regulatory sequence operatively linked to a coding sequence of the *hedgehog* gene.

In still other embodiments, the subject method can be practiced with the administration of a gene therapy construct encoding a *hedgehog* polypeptide. For instance, the gene therapy construct can be provided in a composition selected from a group consisting
 20 of a recombinant viral particle, a liposome, and a poly-cationic nucleic acid binding agent,

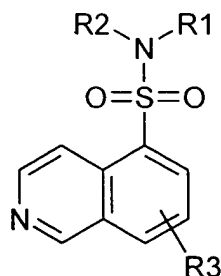
In yet other embodiments, the subject method can be carried out using a *ptc* therapeutic. An exemplary *ptc* therapeutic is a small organic molecule which binds to a *patched* protein and derepresses *patched*-mediated inhibition of mitosis, e.g., a molecule which binds to *patched* and mimics *hedgehog*-mediated *patched* signal transduction, which
 25 binds to *patched* and regulates *patched*-dependent gene expression. For instance, the binding of the *ptc* therapeutic to *patched* may result in upregulation of *patched* and/or gli expression.

In a more generic sense, the *ptc* therapeutic can be a small organic molecule which induces *hedgehog*-mediated *patched* signal transduction, such as by altering the localization, protein-protein binding and/or enzymatic activity of an intracellular protein involved in a

patched signal pathway. For instance, the *ptc* therapeutic may alter the level of expression of a *hedgehog* protein, a *patched* protein or a protein involved in the intracellular signal transduction pathway of *patched*.

In certain embodiments, the *ptc* therapeutic is an antisense construct which inhibits the expression of a protein which is involved in the signal transduction pathway of *patched* and the expression of which antagonizes *hedgehog*-mediated signals. The antisense construct is preferably an oligonucleotide of about 20-30 nucleotides in length and having a GC content of at least 50 percent.

In other embodiments, the *ptc* therapeutic is an inhibitor of protein kinase A (PKA), such as a 5-isoquinolinesulfonamide. The PKA inhibitor can be a cyclic AMP analog. Exemplary PKA inhibitors include N-[2-((p-bromocinnamyl)amino)ethyl]-5-isoquinolinesulfonamide, 1-(5-isoquinoline-sulfonyl)-2-methylpiperazine, KT5720, 8-bromo-cAMP, dibutyryl-cAMP and PKA Heat Stable Inhibitor isoform α . Another exemplary PKA inhibitor is represented in the general formula:



wherein,

R_1 and R_2 each can independently represent hydrogen, and as valence and stability permit a lower alkyl, a lower alkenyl, a lower alkynyl, a carbonyl (such as a carboxyl, an ester, a formate, or a ketone), a thiocarbonyl (such as a thioester, a thioacetate, or a thioformate), an amino, an acylamino, an amido, a cyano, a nitro, an azido, a sulfate, a sulfonate, a sulfonamido, $-(CH_2)_m-R_8$, $-(CH_2)_m-OH$, $-(CH_2)_m-O$ -lower alkyl, $-(CH_2)_m-O$ -lower alkenyl, $-(CH_2)_n-O-(CH_2)_m-R_8$, $-(CH_2)_m-SH$, $-(CH_2)_m-S$ -lower alkyl, $-(CH_2)_m-S$ -lower alkenyl, $-(CH_2)_n-S-(CH_2)_m-R_8$, or

R_1 and R_2 taken together with N form a heterocycle (substituted or unsubstituted);

R_3 is absent or represents one or more substitutions to the isoquinoline ring such as a lower alkyl, a lower alkenyl, a lower alkynyl, a carbonyl (such as a carboxyl, an ester, a formate, or a ketone), a thiocarbonyl (such as a thioester, a thioacetate, or a thioformate), an amino, an acylamino, an amido, a cyano, a nitro, an azido, a sulfate, a sulfonate, a sulfonamido, $-(CH_2)_m-R_8$, $-(CH_2)_m-OH$, $-(CH_2)_m-O$ -lower alkyl, $-(CH_2)_m-O$ -lower alkenyl, $-(CH_2)_n-O-(CH_2)_m-R_8$, $-(CH_2)_m-SH$, $-(CH_2)_m-S$ -lower alkyl, $-(CH_2)_m-S$ -lower alkenyl, $-(CH_2)_n-S-(CH_2)_m-R_8$;

R_8 represents a substituted or unsubstituted aryl, aralkyl, cycloalkyl, cycloalkenyl, or heterocycle; and

n and m are independently for each occurrence zero or an integer in the range of 1 to 6.

The subject method can be used to prevent or treat various lung diseases, to control wound healing or other reformation processes in lung, and to augment lung transplantation.

Wherein the subject method is carried out using an *fgf-10* therapeutic, the *fgf-10* therapeutic preferably a polypeptide including a *fgf-10* portion comprising at least a bioactive extracellular portion of a *fgf-10* protein, e.g., the *fgf-10* portion includes at least 50, 100 or 150 (contiguous) amino acid residues of a *fgf-10* protein, preferably a human *fgf-10* protein such as shown in SEQ ID No. 24.

In certain preferred embodiments, the *fgf-10* portion has an amino acid sequence at least 60, 75, 85, or 95 percent identical with the *fgf-10* protein of SEQ ID No. 24, though a sequence identical with SEQ ID No. 24 is also contemplated as useful in the present method. The *fgf-10* portion can be encoded by a nucleic acid which hybridizes under stringent conditions to a nucleic acid sequence of SEQ ID No. 23, e.g., the *fgf-10* portion can be encoded by a vertebrate *fgf-10* gene, especially a human *fgf-10* gene.

In other embodiments, the subject method can be carried out by administering a gene activation construct, wherein the gene activation construct is deigned to recombine with a genomic *fgf-10* gene of the patient to provide a heterologous transcriptional regulatory sequence operatively linked to a coding sequence of the *fgf-10* gene.

In still other embodiments, the subject method can be practiced with the administration of a gene therapy construct encoding a *fgf-10* polypeptide. For instance, the gene therapy construct can be provided in a composition selected from a group consisting of a recombinant viral particle, a liposome, and a poly-cationic nucleic acid binding agent,

Yet another aspect of the present invention concerns preparations of a *hedgehog*, *ptc* or *fgf-10* therapeutic formulated for application to lung tissue, e.g., by aerosol. For example, such formulations may include a polypeptide comprising a *hedgehog* polypeptide sequence including a bioactive fragment of a *hedgehog* protein, which polypeptide is formulated for application to lung tissue by inhalation.

Detailed Description of the Invention

Figure 1. Morphology and epithelial phenotype of *Shh*^{-/-} mouse lungs. (a) At 12.5 dpc, the wt mouse lung has branched several times to give rise to distinct lobes (arrows). (b) Trachea and esophagus are separate tubes. (c) Cross-section at the level of the lung shows branching and lobation. (d) At 12.5 dpc, *Shh*-deficient lungs have failed to undergo lobation or subsequent extensive branching. (e) Trachea and esophagus remain fused at the tracheoesophageal septum. (f) Mutant lungs have branched only once. (g) At 18.5 dpc, airsac formation is in progress in the wt and the respiratory surface is in tight association with blood vessels. (h) There is little branching or growth of the poorly vascularized mutant lungs, but airsac formation at the distal epithelial tips is apparent (arrows). (i) By 18.5 dpc, wild-type lungs have established the conducting airways and respiratory bronchioles, alveolar formation is in progress. (j) In contrast, in a mutant lung of the same stage, branching is dramatically decreased. Only a few primary branches (arrows) and air sacs (arrowheads) are present. (k) In the wild-type, trachea and esophagus are separated. The trachea is lined by columnar cells, the esophagus by stratified epithelium. (l) Air sacs are made of cuboidal cells. (m) In the mutant, trachea and esophagus are fused to form a fistula. Differentiation into columnar and stratified epithelium is apparent, (n) as is the characteristic cuboidal epithelium of the air sacs. Demarcation lines between terminal bronchioles and respiratory surface are indicated. (o) Proximal lung epithelium of the 18.5 dpc wt lung expresses *CCSP* in Clara cells, and (p) *SP-C* in type II pneumocytes of the distal epithelium. (q) *CCSP* and (p) *SP-C*

are expressed in the correct proximo-distal domain in the mutant. Bars denote 1 mm (g,h only) or 10 μ m. (a,d,g,h) are ventral views, all others transverse sections. Abbreviations: t - trachea, e - esophagus, l - lung, h - heart, s - stomach, mb - mainstem bronchus, b - bronchus, tb - terminal bronchiole, a - air sac.

5 Figure 2. In situ analysis of gene expression in the lungs of *Shh* mutants. Expression of the genes indicated was investigated in whole mount vibratome sections through lungs removed from wt 11.5 and 12.5 dpc, and *Shh*-mutant 12.5 dpc embryos.

10 Figure 3. Mesenchyme differentiation at 18.5 dpc. (a) Both wt and mutant lungs display cartilaginous rings around the trachea as indicated by alcian-blue staining. (b) While in the wild-type lung a layer of smooth muscle surrounds the conducting epithelium, the mutant lung mesenchyme does not differentiate into muscle (right panel). Bars denote 10 mm

Detailed Description of the Invention

15 Development of the lung, through a process known as branching morphogenesis, is strictly dependent on interactions between endodermally derived epithelial cells and the splanchnic mesenchyme. Cell-cell interactions form the functional basis for branching morphogenesis and occur through the activity of a number of mediators, including the extracellular matrix, cellular receptors, and morphogenetic signaling molecules such as
20 peptide growth factors. The molecular regulatory signals and in particular the role of transcriptional factors in branching morphogenesis and lung injury/repair are an important source of information for the treatment of injury. Furthermore, because the lungs continue to undergo development after birth, untimely activation of alternative morphogenetic signals released by tissue injury or repair or both may potentially derail normal morphogenesis and
25 result in structural and functional aberrations characteristic of neonatal lung disease.

It is demonstrated herein that *hedgehog* proteins, such as *Shh*, is essential for development of the respiratory system. In *Shh* null mutants, for example, the trachea and esophagus do not separate properly and the lungs form a rudimentary sac due to failure of branching and growth after formation of the primary lung buds. Interestingly, normal

proximo-distal differentiation of the airway epithelium occurs, indicating that Shh is not needed for differentiation events. In addition, the transcription of several mesenchymally expressed downstream targets of Shh is abolished. These results highlight the importance of epithelially derived Shh in regulating branching morphogenesis of the lung, and establish a
5 role for *hedgehog* in lung morphogenesis, disease and repair, and suggest that SHH normally regulates lung mesenchymal cell proliferation *in vivo*.

I. Overview

The present application is directed to the discovery that preparations of *hedgehog*
10 polypeptides can be used to control the formation and/or maintenance of lung tissue. As described in the appended examples, *hedgehog* proteins are implicated in the proliferation and differentiation of lung mesenchymal and epithelial cells and provide early signals that regulate the formation and maintenance of lung tissues. The present invention provides a method for regulating the growth state of lung tissue, e.g., either in *in vitro* or *in vivo*. In
15 general, the method of the present invention comprises contacting lung tissue, or cells derived therefrom, with an amount of a *hedgehog* therapeutic (defined *infra*) which produces a non-toxic response by the cell of induction or inhibition of the formation of lung tissue microarchetecture, e.g., depending on the whether the *hedgehog* therapeutic is a sufficient *hedgehog* agonist or *hedgehog* antagonist. The subject method can be carried out on lung
20 cells which may be either dispersed in culture or a part of an intact tissue or organ. Moreover, the method can be performed on cells which are provided in culture (*in vitro*), or on cells in a whole animal (*in vivo*).

Without wishing to be bound by any particular theory, the ability of *hedgehog* proteins to regulate the growth state of lung tissue may be due at least in part to the ability of
25 these proteins to antagonize (directly or indirectly) *patched*-mediated regulation of gene expression and other physiological effects mediated by that protein. The *patched* gene product, a cell surface protein, is understood to signal through a pathway which causes transcriptional repression of members of the Wnt and Dpp/BMP families of morphogens, proteins which impart positional information. In development of the CNS and patterning of

limbs in vertebrates, the introduction of *hedgehog* relieves (derepresses) this inhibition conferred by *patched*, allowing expression of particular gene programs.

Recently, it has been reported that mutations in the human version of *patched*, a gene first identified in a fruit fly developmental pathway, cause a hereditary skin cancer and may contribute to sporadic skin cancers. See, for example, Hahn et al. (1996) *Cell* 86:841-851; and Johnson et al. (1996) *Science* 272:1668-1671. The demonstration that nevoid basal-cell carcinoma (NBCC) results from mutations in the human *patched* gene provided an example of the roles *patched* plays in post-embryonic development. These observations have led the art to understand one activity of *patched* to be a tumor suppressor gene, which may act by inhibiting proliferative signals from *hedgehog*. Our observations set forth below reveal potential new roles for the *hedgehog/patched* pathway in maintenance of proliferation and differentiation of lung tissue. Accordingly, the present invention contemplates the use of other agents which are capable of mimicking the effect of the *hedgehog* protein on *patched* signalling, e.g., as may be identified from the drug screening assays described below.

Moreover, we demonstrate that *fgf-10* is an important component of the *hedgehog* regulatory network present in the embryonic lung, controlling proliferation, differentiation and pattern formation. Accordingly, Applicants contemplate that agonists and antagonist of *fgf-10* activity.

II. Definitions

For convenience, certain terms employed in the specification, examples, and appended claims are collected here.

The term "*hedgehog* therapeutic" refers to various forms of *hedgehog* polypeptides, as well as peptidomimetics, which can modulate the proliferation/differentiation state of lung cells by, as will be clear from the context of individual examples, mimicking or potentiating (agonizing) or inhibiting (antagonizing) the effects of a naturally-occurring *hedgehog* protein. A *hedgehog* therapeutic which mimics or potentiates the activity of a wild-type *hedgehog* protein is a "*hedgehog* agonist". Conversely, a *hedgehog* therapeutic which inhibits the activity of a wild-type *hedgehog* protein is a "*hedgehog* antagonist".

In particular, the term "*hedgehog* polypeptide" encompasses preparations of *hedgehog* proteins and peptidyl fragments thereof, both agonist and antagonist forms as the specific context will make clear.

As used herein the term "bioactive fragment of a *hedgehog* protein" refers to a
 5 fragment of a full-length *hedgehog* polypeptide, wherein the fragment specifically agonizes or antagonizes inductive events mediated by wild-type *hedgehog* proteins. The *hedgehog* bioactive fragment preferably is a soluble extracellular portion of a *hedgehog* protein, where solubility is with reference to physiologically compatible solutions. Exemplary bioactive fragments are described in PCT publications WO 95/18856 and WO 96/17924.

10 The term "*patched*" or "*ptc*" refers to a family of related transmembrane proteins which have been implicated in the signal transduction induced by contacting a cell with a *hedgehog* protein. For example, the mammalian *ptc* family includes *ptc1* and *ptc2*. In addition to references set out below, see also Takabatake et al. (1997) *FEBS Lett* 410:485 and GenBank AB000847 for examples of *ptc2*. Unless otherwise evident from the context, it
 15 will be understood that embodiments described in the context of *ptc1* (or just *ptc*) also refer to equivalent embodiments involving other *ptc* homologs like *ptc2*.

The term "*ptc* therapeutic" refers to agents which either (i) mimic the effect of *hedgehog* proteins on *patched* signalling, e.g., which antagonize the cell-cycle inhibitory activity of *patched*, or (ii) activate or potentiate *patched* signalling. In other embodiments,
 20 the *ptc* therapeutic can be a *hedgehog* antagonist. The *ptc* therapeutic can be, e.g., a peptide, a nucleic acid, a carbohydrate, a small organic molecule, or natural product extract (or fraction thereof).

The term "*fgf-10* therapeutic" refers to agents which mimic or antagonize, as appropriate, the effect of *fgf-10* proteins on proliferation and differentiation of lung tissue.
 25 Such agents also include small organic molecules which bind to the *fgf-10* receptor and either inhibit or agonize *fgf-10* signalling.

A "proliferative" form of a *ptc*, *hedgehog* or *fgf-10* therapeutic is one which induces proliferation of lung cells, e.g., directly or indirectly, mesenchymal or epithelial cells. Conversely, an "antiproliferative" form of a *ptc*, *hedgehog* or *fgf-10* therapeutic is one which

inhibits proliferation of lung cells, preferably in a non-toxic manner, e.g., by promoting or maintaining a differentiated phenotype or otherwise promoting quiescence.

By way of example, though not wishing to be bound by a particular theory, proliferative *hedgehog* polypeptide will generally be a form of the protein which derepresses
5 *patched*-mediated cell-cycle arrest, e.g., the polypeptide mimics the effect of a naturally occurring *hedgehog* protein effect on lung tissues. A proliferative *ptc* therapeutic includes other agents which depress *patched*-mediated cell-cycle arrest, and may act extracellularly or intracellularly.

An illustrative antiproliferative *ptc* therapeutic agent may potentiate *patched*-mediated
10 cell-cycle arrest. Such agents can be small molecules that inhibit, e.g., *hedgehog* binding to *patched*, as well as agents which stimulate and/or potentiate a signal transduction pathway of the *patched* protein.

As used herein, "proliferating" and "proliferation" refer to cells undergoing mitosis.

As used herein, "transformed cells" refers to cells which have spontaneously
15 converted to a state of unrestrained growth, i.e., they have acquired the ability to grow through an indefinite number of divisions in culture. Transformed cells may be characterized by such terms as neoplastic, anaplastic and/or hyperplastic, with respect to their loss of growth control.

As used herein, "immortalized cells" refers to cells which have been altered via
20 chemical and/or recombinant means such that the cells have the ability to grow through an indefinite number of divisions in culture.

A "patient" or "subject" to be treated by the subject method can mean either a human or non-human animal.

An "effective amount" of, e.g., a *hedgehog* therapeutic, with respect to the subject
25 method of treatment, refers to an amount of, e.g., a *hedgehog* polypeptide in a preparation which, when applied as part of a desired dosage regimen brings about a change in the rate of cell proliferation and/or the state of differentiation of a cell so as to produce (or inhibit as the case may be) proliferation of lung cells in an amount according to clinically acceptable standards for the disorder to be treated or the cosmetic purpose.

The "growth state" of a cell refers to the rate of proliferation of the cell and the state of differentiation of the cell.

"Homology" and "identity" each refer to sequence similarity between two polypeptide sequences, with identity being a more strict comparison. Homology and identity can each be determined by comparing a position in each sequence which may be aligned for purposes of comparison. When a position in the compared sequence is occupied by the same amino acid residue, then the polypeptides can be referred to as identical at that position; when the equivalent site is occupied by the same amino acid (e.g., identical) or a similar amino acid (e.g., similar in steric and/or electronic nature), then the molecules can be referred to as homologous at that position. A percentage of homology or identity between sequences is a function of the number of matching or homologous positions shared by the sequences. An "unrelated" or "non-homologous" sequence shares less than 40 percent identity, though preferably less than 25 percent identity, with a *hedgehog* sequence disclosed herein.

The term "corresponds to", when referring to a particular polypeptide or nucleic acid sequence is meant to indicate that the sequence of interest is identical or homologous to the reference sequence to which it is said to correspond.

The terms "recombinant protein", "heterologous protein" and "exogenous protein" are used interchangeably throughout the specification and refer to a polypeptide which is produced by recombinant DNA techniques, wherein generally, DNA encoding the polypeptide is inserted into a suitable expression construct which is in turn used to transform a host cell to produce the heterologous protein. That is, the polypeptide is expressed from a heterologous nucleic acid.

A "chimeric protein" or "fusion protein" is a fusion of a first amino acid sequence encoding a *hedgehog* polypeptide with a second amino acid sequence defining a domain foreign to and not substantially homologous with any domain of *hh* protein. A chimeric protein may present a foreign domain which is found (albeit in a different protein) in an organism which also expresses the first protein, or it may be an "interspecies", "intergenic", etc. fusion of protein structures expressed by different kinds of organisms. In general, a fusion protein can be represented by the general formula $(X)_n-(hh)_m-(Y)_n$, wherein *hh* represents all or a portion of the *hedgehog* protein, X and Y each independently represent an

amino acid sequences which are not naturally found as a polypeptide chain contiguous with the *hedgehog* sequence, m is an integer greater than or equal to 1, and each occurrence of n is, independently, 0 or an integer greater than or equal to 1 (n and m are preferably no greater than 5 or 10).

5

III. Exemplary Applications of Method and Compositions

The subject method has wide applicability to the treatment or prophylaxis of disorders afflicting lung tissue, as well as in *in vitro* cultures. In general, the method can be characterized as including a step of administering to an animal an amount of a *ptc*, *hedgehog* or *fgf-10* therapeutic effective to alter the growth state of a treated lung tissue. The mode of administration and dosage regimens will vary depending on the phenotype of, and desired effect on the target lung tissue. Likewise, as described in further detail below, the use of a particular *ptc*, *hedgehog* or *fgf-10* therapeutic, e.g., an agonist or antagonist, will depend on whether proliferation of cells in the treated lung tissue is desired or intended to be prevented.

15 In one aspect, the present invention provides pharmaceutical preparations and methods for controlling the proliferation of lung tissue utilizing, as an active ingredient, a *hedgehog* polypeptide or a mimetic thereof. The invention also relates to methods of controlling proliferation of mesenchymal and epithelial cells of the tissue by use of the pharmaceutical preparations of the invention.

20 The formulations of the present invention may be used as part of regimens in the treatment of disorders of, surgical repair of, or transplantation of lung tissues and whole organs. The methods and compositions disclosed herein also provide for the treatment of a variety of proliferative cancerous disorders effecting lung tissue. For instance, the subject method can be used to control wound healing processes, as for example may be desirable in connection with any surgery involving lung tissue.

25

In certain embodiments, the subject compositions can be used to inhibit, rather than promote, growth of lung-derived tissue. For instance, certain of the compositions disclosed herein may be applied to the treatment or prevention of a variety hyperplastic or neoplastic conditions. The method can find application for the treatment or prophylaxis of, e.g., used to

inhibit the growth and metastasis of lung cancer cells. For instance, inhibitory forms of the the subject *ptc*, *hedgehog* and *fgf-10* therapeutics may be used as part of a treatment program for small cell lung cancer (SCLC), as well as non-small cell lung cancer (NSCLC), such as adenocarcinoma, lung cell carcinoma and squamous cell carcinoma.

5 In other embodiments, the subject method can be used to treat rheumatoid lung disease, which may be marked by pleural thickening, adhesions, and pleural effusions. Such lung (pulmonary) manifestations can occur in both adult and juvenile forms of rheumatoid arthritis.

10 In other embodiments, the subject method can be used to treat, or lessen the severity of, damage to lung tissue as a complication of respiratory diseases such as broncho-pneumonia, chronic bronchitis, cystic fibrosis and asthma, and bronchospasm, or other apical interstitial lung diseases, such as cystic fibrosis, ankylosing spondylitis, sarcoidosis, silicosis, eosinophilic granuloma, tuberculosis, and lung infections.

15 In certain embodiments, the subject method can be used to treat or prevent damage to lung tissue resulting from allergic rhinitis, asthma, emphysema, chronic bronchitis, pneumoconiosis, respiratory distress syndrome, idiopathic pulmonary fibrosis and primary pulmonary hypertension

20 The subject method can be used in the treatment or prevention of occupational lung disease such as asbestos-related diseases, silicosis, occupational asthma, coal worker's pneumoconiosis, berylliosis, and industrial bronchitis.

 In still other embodiments, the subject method can be used to treat certain health consequences of smoking which may result in degeneration of lung tissue.

25 The subject *hedgehog* treatments are effective on both human and animal subjects afflicted with these conditions. Animal subjects to which the invention is applicable extend to both domestic animals and livestock, raised either as pets or for commercial purposes. Examples are dogs, cats, cattle, horses, sheep, hogs and goats.

 Still another aspect of the present invention provides a method of stimulating the growth and regulating the differentiation of epithelial tissue in tissue culture.

In one embodiment, the subject method can be used to regulate the proliferation and/or differentiation of lung mesenchymal progenitor cells.

The maintenance of lung tissues and whole organs *ex vivo* is also highly desirable. Lung and heart-lung transplantation therapy is well established in the treatment of certain human disease. The subject method can be used to maintain the tissue structure of lung tissue *ex vivo*, and in certain embodiments to accelerate the growth of certain lung tissue *in vitro*. The present method can also be used for improving the "take rate" of a lung transplants *in vivo*.

10 *IV. Exemplary hedgehog therapeutic compounds.*

The *hedgehog* therapeutic compositions of the subject method can be generated by any of a variety of techniques, including purification of naturally occurring proteins, recombinantly produced proteins and synthetic chemistry. Polypeptide forms of the *hedgehog* therapeutics are preferably derived from vertebrate *hedgehog* proteins, e.g., have sequences corresponding to naturally occurring *hedgehog* proteins, or fragments thereof, from vertebrate organisms. However, it will be appreciated that the *hedgehog* polypeptide can correspond to a *hedgehog* protein (or fragment thereof) which occurs in any metazoan organism.

The various naturally-occurring *hedgehog* proteins from which the subject therapeutics can be derived are characterized by a signal peptide, a highly conserved N-terminal region, and a more divergent C-terminal domain. In addition to signal sequence cleavage in the secretory pathway (Lee, J.J. *et al.* (1992) *Cell* 71:33-50; Tabata, T. *et al.* (1992) *Genes Dev.* 2635-2645; Chang, D.E. *et al.* (1994) *Development* 120:3339-3353), *hedgehog* precursor proteins naturally undergo an internal autoproteolytic cleavage which depends on conserved sequences in the C-terminal portion (Lee *et al.* (1994) *Science* 266:1528-1537; Porter *et al.* (1995) *Nature* 374:363-366). This autocleavage leads to a 19 kD N-terminal peptide and a C-terminal peptide of 26-28 kD (Lee *et al.* (1992) *supra*; Tabata *et al.* (1992) *supra*; Chang *et al.* (1994) *supra*; Lee *et al.* (1994) *supra*; Bumcrot, D.A., *et al.* (1995) *Mol. Cell. Biol.* 15:2294-2303; Porter *et al.* (1995) *supra*; Ekker, S.C. *et al.* (1995)

Curr. Biol. 5:944-955; Lai, C.J. *et al.* (1995) *Development* 121:2349-2360). The N-terminal peptide stays tightly associated with the surface of cells in which it was synthesized, while the C-terminal peptide is freely diffusible both *in vitro* and *in vivo* (Lee *et al.* (1994) *supra*; Bumcrot *et al.* (1995) *supra*; Mart', E. *et al.* (1995) *Development* 121:2537-2547; Roelink, H. *et al.* (1995) *Cell* 81:445-455). Cell surface retention of the N-terminal peptide is dependent on autocleavage, as a truncated form of *hedgehog* encoded by an RNA which terminates precisely at the normal position of internal cleavage is diffusible *in vitro* (Porter *et al.* (1995) *supra*) and *in vivo* (Porter, J.A. *et al.* (1996) *Cell* 86, 21-34). Biochemical studies have shown that the autoproteolytic cleavage of the *hedgehog* precursor protein proceeds through an internal thioester intermediate which subsequently is cleaved in a nucleophilic substitution. It is suggested that the nucleophile is a small lipophilic molecule, more particularly cholesterol, which becomes covalently bound to the C-terminal end of the N-peptide (Porter *et al.* (1996) *supra*), tethering it to the cell surface.

The vertebrate family of *hedgehog* genes includes at least four members, e.g., paralogs of the single drosophila *hedgehog* gene (SEQ ID No. 19). Three of these members, herein referred to as Desert *hedgehog* (*Dhh*), Sonic *hedgehog* (*Shh*) and Indian *hedgehog* (*Ihh*), apparently exist in all vertebrates, including fish, birds, and mammals. A fourth member, herein referred to as tiggie-winkle *hedgehog* (*Thh*), appears specific to fish. According to the appended sequence listing, (see also Table 1) a chicken *Shh* polypeptide is encoded by SEQ ID No:1; a mouse *Dhh* polypeptide is encoded by SEQ ID No:2; a mouse *Ihh* polypeptide is encoded by SEQ ID No:3; a mouse *Shh* polypeptide is encoded by SEQ ID No:4; a zebrafish *Shh* polypeptide is encoded by SEQ ID No:5; a human *Shh* polypeptide is encoded by SEQ ID No:6; a human *Ihh* polypeptide is encoded by SEQ ID No:7; a human *Dhh* polypeptide is encoded by SEQ ID No. 8; and a zebrafish *Thh* is encoded by SEQ ID No. 9.

Table 1

Guide to *hedgehog* sequences in Sequence Listing

	Nucleotide	Amino Acid
Chicken <i>Shh</i>	SEQ ID No. 1	SEQ ID No. 10
Mouse <i>Dhh</i>	SEQ ID No. 2	SEQ ID No. 11
Mouse <i>Ihh</i>	SEQ ID No. 3	SEQ ID No. 12
Mouse <i>Shh</i>	SEQ ID No. 4	SEQ ID No. 13
Zebrafish <i>Shh</i>	SEQ ID No. 5	SEQ ID No. 14
Human <i>Shh</i>	SEQ ID No. 6	SEQ ID No. 15
Human <i>Ihh</i>	SEQ ID No. 7	SEQ ID No. 16
Human <i>Dhh</i>	SEQ ID No. 8	SEQ ID No. 17
Zebrafish <i>Thh</i>	SEQ ID No. 9	SEQ ID No. 18
Drosophila <i>HH</i>	SEQ ID No. 19	SEQ ID No. 20

5 In addition to the sequence variation between the various *hedgehog* homologs, the *hedgehog* proteins are apparently present naturally in a number of different forms, including a pro-form, a full-length mature form, and several processed fragments thereof. The pro-form includes an N-terminal signal peptide for directed secretion of the extracellular domain, while the full-length mature form lacks this signal sequence.

10 As described above, further processing of the mature form occurs in some instances to yield biologically active fragments of the protein. For instance, *sonic hedgehog* undergoes additional proteolytic processing to yield two peptides of approximately 19 kDa and 27 kDa, the 19kDa fragment corresponding to an proteolytic N-terminal portion of the mature protein.

In addition to proteolytic fragmentation, the vertebrate *hedgehog* proteins can also be
15 modified post-translationally, such as by glycosylation and/or addition of lipophilic moieties,

such as stents, fatty acids, etc., though bacterially produced (e.g. unmodified) forms of the proteins still maintain certain of the bioactivities of the native protein. Bioactive fragments of *hedgehog* polypeptides of the present invention have been generated and are described in great detail in, e.g., PCT publications WO 95/18856 and WO 96/17924.

5 There are a wide range of lipophilic moieties with which *hedgehog* polypeptides can be derivatived. The term "lipophilic group", in the context of being attached to a *hedgehog* polypeptide, refers to a group having high hydrocarbon content thereby giving the group high affinity to lipid phases. A lipophilic group can be, for example, a relatively long chain alkyl or cycloalkyl (preferably n-alkyl) group having approximately 7 to 30 carbons. The alkyl
10 group may terminate with a hydroxy or primary amine "tail". To further illustrate, lipophilic molecules include naturally-occurring and synthetic aromatic and non-aromatic moieties such as fatty acids, sterols, esters and alcohols, other lipid molecules, cage structures such as adamantane and buckminsterfullerenes, and aromatic hydrocarbons such as benzene, perylene, phenanthrene, anthracene, naphthalene, pyrene, chrysene, and naphthacene.

15 In one embodiment, the *hedgehog* polypeptide is modified with one or more sterol moieties, such as cholesterol. See, for example, PCT publication WO 96/17924. In certain embodiments, the cholesterol is preferably added to the C-terminal glycine where the *hedgehog* polypeptide corresponds to the naturally-occurring N-terminal proteolytic fragment.

20 In another embodiment, the *hedgehog* polypeptide can be modified with a fatty acid moiety, such as a myristoyl, palmitoyl, stearoyl, or arachidoyl moiety. See, e.g., Pepinsky et al. (1998) J Biol. Chem 273: 14037.

25 In addition to those effects seen by cholesterol-addition to the C-terminus or fatty acid addition to the N-terminus of extracellular fragments of the protein, at least certain of the biological activities of the *hedgehog* gene products can be potentiated by derivatization of the protein with lipophilic moieties at other sites on the protein and/or by moieties other than cholesterol or fatty acids. Certain aspects of the invention are directed to the use of preparations of *hedgehog* polypeptides which are modified at sites other than N-terminal or C-terminal residues of the natural processed form of the protein, and/or which are modified at

such terminal residues with lipophilic moieties other than a sterol at the C-terminus or fatty acid at the N-terminus.

Particularly useful as lipophilic molecules are alicyclic hydrocarbons, saturated and unsaturated fatty acids and other lipid and phospholipid moieties, waxes, cholesterol, isoprenoids, terpenes and polyalicyclic hydrocarbons including adamantane and buckminsterfullerenes, vitamins, polyethylene glycol or oligoethylene glycol, (C1-C18)-alkyl phosphate diesters, -O-CH₂-CH(OH)-O-(C12-C18)-alkyl, and in particular conjugates with pyrene derivatives. The lipophilic moiety can be a lipophilic dye suitable for use in the invention include, but are not limited to, diphenylhexatriene, Nile Red, N-phenyl-1-naphthylamine, Prodan, Laurodan, Pyrene, Perylene, rhodamine, rhodamine B, tetramethylrhodamine, Texas Red, sulforhodamine, 1,1'-didodecyl-3,3,3',3'-tetramethylindocarbocyanine perchlorate, octadecyl rhodamine B and the BODIPY dyes available from Molecular Probes Inc.

Other exemplary lipophilic moieties include aliphatic carbonyl radical groups include 1- or 2-adamantylacetyl, 3-methyladamant-1-ylacetyl, 3-methyl-3-bromo-1-adamantylacetyl, 1-decalinacetyl, camphoracetyl, camphaneacetyl, noradamantylacetyl, norbornaneacetyl, bicyclo[2.2.2.]-oct-5-eneacetyl, 1-methoxybicyclo[2.2.2.]-oct-5-ene-2-carbonyl, cis-5-norbornene-endo-2,3-dicarbonyl, 5-norbornen-2-ylacetyl, (1R)-(-)-myrtenaneacetyl, 2-norbornaneacetyl, anti-3-oxo-tricyclo[2.2.1.0<2,6>]-heptane-7-carbonyl, decanoyl, dodecanoyl, dodecenoyl, tetradecadienoyl, decynoyl or dodecynoyl.

The *hedgehog* polypeptide can be linked to the hydrophobic moiety in a number of ways including by chemical coupling means, or by genetic engineering.

Moreover, mutagenesis can be used to create modified *hh* polypeptides, e.g., for such purposes as enhancing therapeutic or prophylactic efficacy, or stability (e.g., *ex vivo* shelf life and resistance to proteolytic degradation *in vivo*). Such modified peptides can be produced, for instance, by amino acid substitution, deletion, or addition. Modified *hedgehog* polypeptides can also include those with altered post-translational processing relative to a naturally occurring *hedgehog* protein, e.g., altered glycosylation, cholesterolization, prenylation and the like.

In one embodiment, the *hedgehog* therapeutic is a polypeptide encodable by a nucleotide sequence that hybridizes under stringent conditions to a *hedgehog* coding sequence represented in one or more of SEQ ID Nos:1-7. Appropriate stringency conditions which promote DNA hybridization, for example, 6.0 x sodium chloride/sodium citrate (SSC) at about 45°C, followed by a wash of 2.0 x SSC at 50°C, are known to those skilled in the art or can be found in *Current Protocols in Molecular Biology*, John Wiley & Sons, N.Y. (1989), 6.3.1-6.3.6. For example, the salt concentration in the wash step can be selected from a low stringency of about 2.0 x SSC at 50°C to a high stringency of about 0.2 x SSC at 50°C. In addition, the temperature in the wash step can be increased from low stringency conditions at room temperature, about 22°C, to high stringency conditions at about 65°C.

As described in the literature, genes for other *hedgehog* proteins, e.g., from other animals, can be obtained from mRNA or genomic DNA samples using techniques well known in the art. For example, a cDNA encoding a *hedgehog* protein can be obtained by isolating total mRNA from a cell, e.g. a mammalian cell, e.g. a human cell, including embryonic cells. Double stranded cDNAs can then be prepared from the total mRNA, and subsequently inserted into a suitable plasmid or bacteriophage vector using any one of a number of known techniques. The gene encoding a *hedgehog* protein can also be cloned using established polymerase chain reaction techniques.

Preferred nucleic acids encode a *hedgehog* polypeptide comprising an amino acid sequence at least 60% homologous or identical, more preferably 70% homologous or identical, and most preferably 80% homologous or identical with an amino acid sequence selected from the group consisting of SEQ ID Nos:8-14. Nucleic acids which encode polypeptides at least about 90%, more preferably at least about 95%, and most preferably at least about 98-99% homology or identity with an amino acid sequence represented in one of SEQ ID Nos:8-14 are also within the scope of the invention.

In addition to native *hedgehog* proteins, *hedgehog* polypeptides preferred by the present invention are at least 60% homologous or identical, more preferably 70% homologous or identical and most preferably 80% homologous or identical with an amino acid sequence represented by any of SEQ ID Nos:8-14. Polypeptides which are at least 90%, more preferably at least 95%, and most preferably at least about 98-99% homologous or

identical with a sequence selected from the group consisting of SEQ ID Nos:8-14 are also within the scope of the invention. The only prerequisite is that the *hedgehog* polypeptide is capable of modulating the growth of lung cells.

The term "recombinant protein" refers to a polypeptide of the present invention which
5 is produced by recombinant DNA techniques, wherein generally, DNA encoding a *hedgehog* polypeptide is inserted into a suitable expression vector which is in turn used to transform a host cell to produce the heterologous protein. Moreover, the phrase "derived from", with respect to a recombinant *hedgehog* gene, is meant to include within the meaning of "recombinant protein" those proteins having an amino acid sequence of a native *hedgehog*
10 protein, or an amino acid sequence similar thereto which is generated by mutations including substitutions and deletions (including truncation) of a naturally occurring form of the protein.

The method of the present invention can also be carried out using variant forms of the naturally occurring *hedgehog* polypeptides, e.g., mutational variants.

As is known in the art, *hedgehog* polypeptides can be produced by standard biological
15 techniques or by chemical synthesis. For example, a host cell transfected with a nucleic acid vector directing expression of a nucleotide sequence encoding the subject polypeptides can be cultured under appropriate conditions to allow expression of the peptide to occur. The polypeptide *hedgehog* may be secreted and isolated from a mixture of cells and medium containing the recombinant *hedgehog* polypeptide. Alternatively, the peptide may be retained
20 cytoplasmically by removing the signal peptide sequence from the recombinant *hedgehog* gene and the cells harvested, lysed and the protein isolated. A cell culture includes host cells, media and other byproducts. Suitable media for cell culture are well known in the art. The recombinant *hedgehog* polypeptide can be isolated from cell culture medium, host cells, or both using techniques known in the art for purifying proteins including ion-exchange
25 chromatography, gel filtration chromatography, ultrafiltration, electrophoresis, and immunoaffinity purification with antibodies specific for such peptide. In a preferred embodiment, the recombinant *hedgehog* polypeptide is a fusion protein containing a domain which facilitates its purification, such as an *hedgehog*/GST fusion protein. The host cell may be any prokaryotic or eukaryotic cell.

Recombinant *hedgehog* genes can be produced by ligating nucleic acid encoding an *hedgehog* protein, or a portion thereof, into a vector suitable for expression in either prokaryotic cells, eukaryotic cells, or both. Expression vectors for production of recombinant forms of the subject *hedgehog* polypeptides include plasmids and other vectors. For instance, suitable vectors for the expression of a *hedgehog* polypeptide include plasmids of the types: pBR322-derived plasmids, pEMBL-derived plasmids, pEX-derived plasmids, pBTac-derived plasmids and pUC-derived plasmids for expression in prokaryotic cells, such as *E. coli*.

A number of vectors exist for the expression of recombinant proteins in yeast. For instance, YEP24, YIP5, YEP51, YEP52, pYES2, and YRP17 are cloning and expression vehicles useful in the introduction of genetic constructs into *S. cerevisiae* (see, for example, Broach *et al.* (1983) in *Experimental Manipulation of Gene Expression*, ed. M. Inouye Academic Press, p. 83, incorporated by reference herein). These vectors can replicate in *E. coli* due to the presence of the pBR322 ori, and in *S. cerevisiae* due to the replication determinant of the yeast 2 micron plasmid. In addition, drug resistance markers such as ampicillin can be used. In an illustrative embodiment, an *hedgehog* polypeptide is produced recombinantly utilizing an expression vector generated by sub-cloning the coding sequence of one of the *hedgehog* genes represented in SEQ ID Nos:1-7.

The preferred mammalian expression vectors contain both prokaryotic sequences, to facilitate the propagation of the vector in bacteria, and one or more eukaryotic transcription units that are expressed in eukaryotic cells. The pcDNAI/amp, pcDNAI/neo, pRc/CMV, pSV2gpt, pSV2neo, pSV2-dhfr, pTk2, pRSVneo, pMSG, pSVT7, pko-neo and pHyg derived vectors are examples of mammalian expression vectors suitable for transfection of eukaryotic cells. Some of these vectors are modified with sequences from bacterial plasmids, such as pBR322, to facilitate replication and drug resistance selection in both prokaryotic and eukaryotic cells. Alternatively, derivatives of viruses such as the bovine papillomavirus (BPV-1), or Epstein-Barr virus (pHEBo, pREP-derived and p205) can be used for transient expression of proteins in eukaryotic cells. The various methods employed in the preparation of the plasmids and transformation of host organisms are well known in the art. For other suitable expression systems for both prokaryotic and eukaryotic cells, as well as general recombinant procedures, see *Molecular Cloning A Laboratory Manual*, 2nd Ed., ed. by

Sambrook, Fritsch and Maniatis (Cold Spring Harbor Laboratory Press: 1989) Chapters 16 and 17.

In some instances, it may be desirable to express the recombinant *hedgehog* polypeptide by the use of a baculovirus expression system. Examples of such baculovirus expression systems include pVL-derived vectors (such as pVL1392, pVL1393 and pVL941),
 5 pAcUW-derived vectors (such as pAcUW1), and pBlueBac-derived vectors (such as the β -gal containing pBlueBac III).

When it is desirable to express only a portion of an *hedgehog* protein, such as a form lacking a portion of the N-terminus, i.e. a truncation mutant which lacks the signal peptide, it
 10 may be necessary to add a start codon (ATG) to the oligonucleotide fragment containing the desired sequence to be expressed. It is well known in the art that a methionine at the N-terminal position can be enzymatically cleaved by the use of the enzyme methionine aminopeptidase (MAP). MAP has been cloned from *E. coli* (Ben-Bassat et al. (1987) *J. Bacteriol.* 169:751-757) and *Salmonella typhimurium* and its *in vitro* activity has been
 15 demonstrated on recombinant proteins (Miller et al. (1987) *PNAS* 84:2718-1722). Therefore, removal of an N-terminal methionine, if desired, can be achieved either *in vivo* by expressing *hedgehog*-derived polypeptides in a host which produces MAP (e.g., *E. coli* or CM89 or *S. cerevisiae*), or *in vitro* by use of purified MAP (e.g., procedure of Miller et al., *supra*).

Alternatively, the coding sequences for the polypeptide can be incorporated as a part
 20 of a fusion gene including a nucleotide sequence encoding a different polypeptide. It is widely appreciated that fusion proteins can also facilitate the expression of proteins, and accordingly, can be used in the expression of the *hedgehog* polypeptides of the present invention. For example, *hedgehog* polypeptides can be generated as glutathione-S-transferase (GST-fusion) proteins. Such GST-fusion proteins can enable easy purification of the
 25 *hedgehog* polypeptide, as for example by the use of glutathione-derivatized matrices (see, for example, *Current Protocols in Molecular Biology*, eds. Ausubel et al. (N.Y.: John Wiley & Sons, 1991)). In another embodiment, a fusion gene coding for a purification leader sequence, such as a poly-(His)/enterokinase cleavage site sequence, can be used to replace the signal sequence which naturally occurs at the N-terminus of the *hedgehog* protein (e.g. of the
 30 pro-form, in order to permit purification of the poly(His)-*hedgehog* protein by affinity

chromatography using a Ni^{2+} metal resin. The purification leader sequence can then be subsequently removed by treatment with enterokinase (e.g., see Hochuli et al. (1987) *J. Chromatography* 411:177; and Janknecht et al. *PNAS* 88:8972).

Techniques for making fusion genes are known to those skilled in the art. Essentially, the joining of various DNA fragments coding for different polypeptide sequences is performed in accordance with conventional techniques, employing blunt-ended or stagger-ended termini for ligation, restriction enzyme digestion to provide for appropriate termini, filling-in of cohesive ends as appropriate, alkaline phosphatase treatment to avoid undesirable joining, and enzymatic ligation. In another embodiment, the fusion gene can be synthesized by conventional techniques including automated DNA synthesizers. Alternatively, PCR amplification of gene fragments can be carried out using anchor primers which give rise to complementary overhangs between two consecutive gene fragments which can subsequently be annealed to generate a chimeric gene sequence (see, for example, *Current Protocols in Molecular Biology*, eds. Ausubel et al. John Wiley & Sons: 1992).

Hedgehog polypeptides may also be chemically modified to create *hedgehog* derivatives by forming covalent or aggregate conjugates with other chemical moieties, such as glycosyl groups, cholesterol, isoprenoids, lipids, phosphate, acetyl groups and the like. Covalent derivatives of *hedgehog* proteins can be prepared by linking the chemical moieties to functional groups on amino acid sidechains of the protein or at the N-terminus or at the C-terminus of the polypeptide.

For instance, *hedgehog* proteins can be generated to include a moiety, other than sequence naturally associated with the protein, that binds a component of the extracellular matrix and enhances localization of the analog to cell surfaces. For example, sequences derived from the fibronectin "type-III repeat", such as a tetrapeptide sequence R-G-D-S (Pierschbacher et al. (1984) *Nature* 309:30-3; and Kornblihtt et al. (1985) *EMBO* 4:1755-9) can be added to the *hedgehog* polypeptide to support attachment of the chimeric molecule to a cell through binding ECM components (Ruoslahti et al. (1987) *Science* 238:491-497; Pierschbacher et al. (1987) *J. Biol. Chem.* 262:17294-8.; Hynes (1987) *Cell* 48:549-54; and Hynes (1992) *Cell* 69:11-25).

In a preferred embodiment, the *hedgehog* polypeptide is isolated from, or is otherwise substantially free of, other cellular proteins, especially other extracellular or cell surface associated proteins which may normally be associated with the *hedgehog* polypeptide, unless provided in the form of fusion protein with the *hedgehog* polypeptide. The term

5 "substantially free of other cellular or extracellular proteins" (also referred to herein as "contaminating proteins") or "substantially pure preparations" or "purified preparations" are defined as encompassing preparations of *hedgehog* polypeptides having less than 20% (by dry weight) contaminating protein, and preferably having less than 5% contaminating protein. By "purified", it is meant that the indicated molecule is present in the substantial

10 absence of other biological macromolecules, such as other proteins. The term "purified" as used herein preferably means at least 80% by dry weight, more preferably in the range of 95-99% by weight, and most preferably at least 99.8% by weight, of biological macromolecules of the same type present (but water, buffers, and other small molecules, especially molecules having a molecular weight of less than 5000, can be present). The term "pure" as used herein

15 preferably has the same numerical limits as "purified" immediately above.

As described above for recombinant polypeptides, isolated *hedgehog* polypeptides can include all or a portion of the amino acid sequences represented in any of SEQ ID Nos:10-18 or 20, or a homologous sequence thereto. Preferred fragments of the subject

20 *hedgehog* proteins correspond to the N-terminal and C-terminal proteolytic fragments of the mature protein. Bioactive fragments of *hedgehog* polypeptides are described in great detail in PCT publications WO 95/18856 and WO 96/17924.

With respect to bioactive fragments of *hedgehog* polypeptide, preferred *hedgehog* therapeutics include at least 50 (contiguous) amino acid residues of a *hedgehog* polypeptide, more preferably at least 100 (contiguous), and even more preferably at least 150 (contiguous)

25 residues.

Another preferred *hedgehog* polypeptide which can be included in the *hedgehog* therapeutic is an N-terminal fragment of the mature protein having a molecular weight of approximately 19 kDa.

Preferred human *hedgehog* proteins include N-terminal fragments corresponding

30 approximately to residues 24-197 of SEQ ID No. 15, 28-202 of SEQ ID No. 16, and 23-198

of SEQ ID No. 17. By "corresponding approximately" it is meant that the sequence of interest is at most 20 amino acid residues different in length to the reference sequence, though more preferably at most 5, 10 or 15 amino acid different in length.

As described above for recombinant polypeptides, isolated *hedgehog* polypeptides
5 can include all or a portion of the amino acid sequences represented in SEQ ID No:8, SEQ ID No:9, SEQ ID No:10, SEQ ID No:11, SEQ ID No:12, SEQ ID No:13 or SEQ ID No:14, or a homologous sequence thereto. Preferred fragments of the subject *hedgehog* proteins correspond to the N-terminal and C-terminal proteolytic fragments of the mature protein. Bioactive fragments of *hedgehog* polypeptides are described in great detail in PCT
10 publications WO 95/18856 and WO 96/17924.

Still other preferred *hedgehog* polypeptides includes an amino acid sequence represented by the formula A-B wherein: (i) A represents all or the portion of the amino acid sequence designated by residues 1-168 of SEQ ID No:21; and B represents at least one amino acid residue of the amino acid sequence designated by residues 169-221 of SEQ ID No:21;
15 (ii) A represents all or the portion of the amino acid sequence designated by residues 24-193 of SEQ ID No:15; and B represents at least one amino acid residue of the amino acid sequence designated by residues 194-250 of SEQ ID No:15; (iii) A represents all or the portion of the amino acid sequence designated by residues 25-193 of SEQ ID No:13; and B represents at least one amino acid residue of the amino acid sequence designated by residues
20 194-250 of SEQ ID No:13; (iv) A represents all or the portion of the amino acid sequence designated by residues 23-193 of SEQ ID No:11; and B represents at least one amino acid residue of the amino acid sequence designated by residues 194-250 of SEQ ID No:11; (v) A represents all or the portion of the amino acid sequence designated by residues 28-197 of SEQ ID No:12; and B represents at least one amino acid residue of the amino acid sequence
25 designated by residues 198-250 of SEQ ID No:12; (vi) A represents all or the portion of the amino acid sequence designated by residues 29-197 of SEQ ID No:16; and B represents at least one amino acid residue of the amino acid sequence designated by residues 198-250 of SEQ ID No:16; or (vii) A represents all or the portion of the amino acid sequence designated by residues 23-193 of SEQ ID No. 17, and B represents at least one amino acid residue of the
30 amino acid sequence designated by residues 194-250 of SEQ ID No. 17. In certain preferred

embodiments, A and B together represent a contiguous polypeptide sequence designated sequence, A represents at least 25, 50, 75, 100, 125 or 150 (contiguous) amino acids of the designated sequence, and B represents at least 5, 10, or 20 (contiguous) amino acid residues of the amino acid sequence designated by corresponding entry in the sequence listing, and A
5 and B together preferably represent a contiguous sequence corresponding to the sequence listing entry. Similar fragments from other *hedgehog* also contemplated, e.g., fragments which correspond to the preferred fragments from the sequence listing entries which are enumerated above. In preferred embodiments, the *hedgehog* polypeptide includes a C-terminal glycine (or other appropriate residue) which is derivatized with a cholesterol.

10 Isolated peptidyl portions of *hedgehog* proteins can be obtained by screening peptides recombinantly produced from the corresponding fragment of the nucleic acid encoding such peptides. In addition, fragments can be chemically synthesized using techniques known in the art such as conventional Merrifield solid phase f-Moc or t-Boc chemistry. For example, a *hedgehog* polypeptide of the present invention may be arbitrarily divided into fragments of
15 desired length with no overlap of the fragments, or preferably divided into overlapping fragments of a desired length. The fragments can be produced (recombinantly or by chemical synthesis) and tested to identify those peptidyl fragments which can function as either agonists or antagonists of a wild-type (e.g., "authentic") *hedgehog* protein. For example, Román et al. (1994) *Eur J Biochem* 222:65-73 describe the use of competitive-binding assays
20 using short, overlapping synthetic peptides from larger proteins to identify binding domains.

The recombinant *hedgehog* polypeptides of the present invention also include homologs of the authentic *hedgehog* proteins, such as versions of those protein which are resistant to proteolytic cleavage, as for example, due to mutations which alter potential cleavage sequences or which inactivate an enzymatic activity associated with the protein.
25 *Hedgehog* homologs of the present invention also include proteins which have been post-translationally modified in a manner different than the authentic protein. Exemplary derivatives of *hedgehog* proteins include polypeptides which lack N-glycosylation sites (e.g. to produce an unglycosylated protein), which lack sites for cholesterolization, and/or which lack N-terminal and/or C-terminal sequences.

Modification of the structure of the subject *hedgehog* polypeptides can also be for such purposes as enhancing therapeutic or prophylactic efficacy, or stability (e.g., *ex vivo* shelf life and resistance to proteolytic degradation *in vivo*). Such modified peptides, when designed to retain at least one activity of the naturally-occurring form of the protein, are
5 considered functional equivalents of the *hedgehog* polypeptides described in more detail herein. Such modified peptides can be produced, for instance, by amino acid substitution, deletion, or addition.

It is well known in the art that one could reasonably expect that certain isolated replacements of amino acids, e.g., replacement of an amino acid residue with another related
10 amino acid (i.e. isosteric and/or isoelectric mutations), can be carried out without major effect on the biological activity of the resulting molecule. Conservative replacements are those that take place within a family of amino acids that are related in their side chains. Genetically encoded amino acids can be divided into four families: (1) acidic = aspartate, glutamate; (2) basic = lysine, arginine, histidine; (3) nonpolar = alanine, valine, leucine, isoleucine,
15 proline, phenylalanine, methionine, tryptophan; and (4) uncharged polar = glycine, asparagine, glutamine, cysteine, serine, threonine, tyrosine. Phenylalanine, tryptophan, and tyrosine are sometimes classified jointly as aromatic amino acids. In similar fashion, the amino acid repertoire can be grouped as (1) acidic = aspartate, glutamate; (2) basic = lysine, arginine histidine, (3) aliphatic = glycine, alanine, valine, leucine, isoleucine, serine,
20 threonine, with serine and threonine optionally be grouped separately as aliphatic-hydroxyl; (4) aromatic = phenylalanine, tyrosine, tryptophan; (5) amide = asparagine, glutamine; and (6) sulfur -containing = cysteine and methionine. (see, for example, *Biochemistry*, 2nd ed., Ed. by L. Stryer, WH Freeman and Co.: 1981). Whether a change in the amino acid sequence of a peptide results in a functional *hedgehog* homolog (e.g. functional in the sense
25 that it acts to mimic or antagonize the wild-type form) can be readily determined by assessing the ability of the variant peptide to produce a response in cells in a fashion similar to the wild-type protein, or competitively inhibit such a response. Polypeptides in which more than one replacement has taken place can readily be tested in the same manner.

It is specifically contemplated that the methods of the present invention can be carried
30 using homologs of naturally occurring *hedgehog* proteins. In one embodiment, the invention

contemplates using *hedgehog* polypeptides generated by combinatorial mutagenesis. Such methods, as are known in the art, are convenient for generating both point and truncation mutants, and can be especially useful for identifying potential variant sequences (e.g. homologs) that are functional in binding to a receptor for *hedgehog* proteins. The purpose of screening such combinatorial libraries is to generate, for example, novel *hedgehog* homologs which can act as either agonists or antagonist. To illustrate, *hedgehog* homologs can be engineered by the present method to provide more efficient binding to a cognate receptor, such as *patched*, yet still retain at least a portion of an activity associated with *hedgehog*. Thus, combinatorially-derived homologs can be generated to have an increased potency relative to a naturally occurring form of the protein. Likewise, *hedgehog* homologs can be generated by the present combinatorial approach to act as antagonists, in that they are able to mimic, for example, binding to other extracellular matrix components (such as receptors), yet not induce any biological response, thereby inhibiting the action of authentic *hedgehog* or *hedgehog* agonists. Moreover, manipulation of certain domains of *hedgehog* by the present method can provide domains more suitable for use in fusion proteins, such as one that incorporates portions of other proteins which are derived from the extracellular matrix and/or which bind extracellular matrix components.

To further illustrate the state of the art of combinatorial mutagenesis, it is noted that the review article of Gallop et al. (1994) *J Med Chem* 37:1233 describes the general state of the art of combinatorial libraries as of the earlier 1990's. In particular, Gallop et al state at page 1239 "[s]creening the analog libraries aids in determining the minimum size of the active sequence and in identifying those residues critical for binding and intolerant of substitution". In addition, the Ladner et al. PCT publication WO90/02809, the Goeddel et al. U.S. Patent 5,223,408, and the Markland et al. PCT publication WO92/15679 illustrate specific techniques which one skilled in the art could utilize to generate libraries of *hedgehog* variants which can be rapidly screened to identify variants/fragments which retained a particular activity of the *hedgehog* polypeptides. These techniques are exemplary of the art and demonstrate that large libraries of related variants/truncants can be generated and assayed to isolate particular variants without undue experimentation. Gustin et al. (1993) *Virology* 193:653, and Bass et al. (1990) *Proteins: Structure, Function and Genetics* 8:309-314

also describe other exemplary techniques from the art which can be adapted as means for generating mutagenic variants of *hedgehog* polypeptides.

Indeed, it is plain from the combinatorial mutagenesis art that large scale mutagenesis of *hedgehog* proteins, without any preconceived ideas of which residues were critical to the biological function, and generate wide arrays of variants having equivalent biological activity. Indeed, it is the ability of combinatorial techniques to screen billions of different variants by high throughput analysis that removes any requirement of *a priori* understanding or knowledge of critical residues.

To illustrate, the amino acid sequences for a population of *hedgehog* homologs or other related proteins are aligned, preferably to promote the highest homology possible. Such a population of variants can include, for example, *hedgehog* homologs from one or more species. Amino acids which appear at each position of the aligned sequences are selected to create a degenerate set of combinatorial sequences. In a preferred embodiment, the variegated library of *hedgehog* variants is generated by combinatorial mutagenesis at the nucleic acid level, and is encoded by a variegated gene library. For instance, a mixture of synthetic oligonucleotides can be enzymatically ligated into gene sequences such that the degenerate set of potential *hedgehog* sequences are expressible as individual polypeptides, or alternatively, as a set of larger fusion proteins (e.g. for phage display) containing the set of *hedgehog* sequences therein.

As illustrated in PCT publication WO 95/18856, to analyze the sequences of a population of variants, the amino acid sequences of interest can be aligned relative to sequence homology. The presence or absence of amino acids from an aligned sequence of a particular variant is relative to a chosen consensus length of a reference sequence, which can be real or artificial.

In an illustrative embodiment, alignment of exons 1, 2 and a portion of exon 3 encoded sequences (e.g. the N-terminal approximately 221 residues of the mature protein) of each of the *Shh* clones produces a degenerate set of *Shh* polypeptides represented by the general formula:

C-G-P-G-R-G-X(1)-G-X(2)-R-R-H-P-K-K-L-T-P-L-A-Y-K-Q-F-I-P-N-V-A-
 E-K-T-L-G-A-S-G-R-Y-E-G-K-I-X(3)-R-N-S-E-R-F-K-E-L-T-P-N-Y-N-P-D-
 I-I-F-K-D-E-E-N-T-G-A-D-R-L-M-T-Q-R-C-K-D-K-L-N-X(4)-L-A-I-S-V-
 M-N-X(5)-W-P-G-V-X(6)-L-R-V-T-E-G-W-D-E-D-G-H-H-X(7)-E-E-S-L-H-
 5 Y-E-G-R-A-V-D-I-T-T-S-D-R-D-X(8)-S-K-Y-G-X(9)-L-X(10)-R-L-A-V-E-
 A-G-F-D-W-V-Y-Y-E-S-K-A-H-I-H-C-S-V-K-A-E-N-S-V-A-A-K-S-G-G-C-
 F-P-G-S-A-X(11)-V-X(12)-L-X(13)-X(14)-G-G-X(15)-K-X(16)-V-K-D-L-
 X(17)-P-G-D-X(18)-V-L-A-A-D-X(19)-X(20)-G-X(21)-L-X(22)-X(23)-S-D-
 F-X(24)-X(25)-F-X(26)-D-R (SEQ ID No: 21

- 10 wherein each of the degenerate positions "X" can be an amino acid which occurs in that position in one of the human, mouse, chicken or zebrafish *Shh* clones, or, to expand the library, each X can also be selected from amongst amino acid residue which would be conservative substitutions for the amino acids which appear naturally in each of those positions. For instance, Xaa(1) represents Gly, Ala, Val, Leu, Ile, Phe, Tyr or Trp ; Xaa(2)
- 15 represents Arg, His or Lys; Xaa(3) represents Gly, Ala, Val, Leu, Ile, Ser or Thr; Xaa(4) represents Gly, Ala, Val, Leu, Ile, Ser or Thr; Xaa(5) represents Lys, Arg, His, Asn or Gln; Xaa(6) represents Lys, Arg or His; Xaa(7) represents Ser, Thr, Tyr, Trp or Phe; Xaa(8) represents Lys, Arg or His; Xaa(9) represents Met, Cys, Ser or Thr; Xaa(10) represents Gly, Ala, Val, Leu, Ile, Ser or Thr; Xaa(11) represents Leu, Val, Met, Thr or Ser; Xaa(12)
- 20 represents His, Phe, Tyr, Ser, Thr, Met or Cys; Xaa(13) represents Gln, Asn, Glu, or Asp; Xaa(14) represents His, Phe, Tyr, Thr, Gln, Asn, Glu or Asp; Xaa(15) represents Gln, Asn, Glu, Asp, Thr, Ser, Met or Cys; Xaa(16) represents Ala, Gly, Cys, Leu, Val or Met; Xaa(17) represents Arg, Lys, Met, Ile, Asn, Asp, Glu, Gln, Ser, Thr or Cys; Xaa(18) represents Arg, Lys, Met or Ile; Xaa(19) represents Ala, Gly, Cys, Asp, Glu, Gln, Asn, Ser, Thr or Met;
- 25 Xaa(20) represents Ala, Gly, Cys, Asp, Asn, Glu or Gln; Xaa(21) represents Arg, Lys, Met, Ile, Asn, Asp, Glu or Gln; Xaa(22) represent Leu, Val, Met or Ile; Xaa(23) represents Phe, Tyr, Thr, His or Trp; Xaa(24) represents Ile, Val, Leu or Met; Xaa(25) represents Met, Cys, Ile, Leu, Val, Thr or Ser; Xaa(26) represents Leu, Val, Met, Thr or Ser. In an even more expansive library, each X can be selected from any amino acid.

In similar fashion, alignment of each of the human, mouse, chicken and zebrafish *hedgehog* clones, can provide a degenerate polypeptide sequence represented by the general formula:

5 C-G-P-G-R-G-X(1)-X(2)-X(3)-R-R-X(4)-X(5)-X(6)-P-K-X(7)-L-X(8)-P-L-
X(9)-Y-K-Q-F-X(10)-P-X(11)-X(12)-X(13)-E-X(14)-T-L-G-A-S-G-X(15)-
X(16)-E-G-X(17)-X(18)-X(19)-R-X(20)-S-E-R-F-X(21)-X(22)-L-T-P-N-Y-
N-P-D-I-I-F-K-D-E-E-N-X(23)-G-A-D-R-L-M-T-X(24)-R-C-K-X(25)-X(26)-
X(27)-N-X(28)-L-A-I-S-V-M-N-X(29)-W-P-G-V-X(30)-L-R-V-T-E-G-
X(31)-D-E-D-G-H-H-X(32)-X(33)-X(34)-S-L-H-Y-E-G-R-A-X(35)-D-I-T-T-
10 S-D-R-D-X(36)-X(37)-K-Y-G-X(38)-L-X(39)-R-L-A-V-E-A-G-F-D-W-V-Y-
Y-E-S-X(40)-X(41)-H-X(42)-H-X(43)-S-V-K-X(44)-X(45) (SEQ IDNo:22

wherein, as above, each of the degenerate positions "X" can be an amino acid which occurs in a corresponding position in one of the wild-type clones, and may also include amino acid residue which would be conservative substitutions, or each X can be any amino acid residue.

15 In an exemplary embodiment, Xaa(1) represents Gly, Ala, Val, Leu, Ile, Pro, Phe or Tyr; Xaa(2) represents Gly, Ala, Val, Leu or Ile; Xaa(3) represents Gly, Ala, Val, Leu, Ile, Lys, His or Arg; Xaa(4) represents Lys, Arg or His; Xaa(5) represents Phe, Trp, Tyr or an amino acid gap; Xaa(6) represents Gly, Ala, Val, Leu, Ile or an amino acid gap; Xaa(7) represents Asn, Gln, His, Arg or Lys; Xaa(8) represents Gly, Ala, Val, Leu, Ile, Ser or Thr; Xaa(9)
20 represents Gly, Ala, Val, Leu, Ile, Ser or Thr; Xaa(10) represents Gly, Ala, Val, Leu, Ile, Ser or Thr; Xaa(11) represents Ser, Thr, Gln or Asn; Xaa(12) represents Met, Cys, Gly, Ala, Val, Leu, Ile, Ser or Thr; Xaa(13) represents Gly, Ala, Val, Leu, Ile or Pro; Xaa(14) represents Arg, His or Lys; Xaa(15) represents Gly, Ala, Val, Leu, Ile, Pro, Arg, His or Lys; Xaa(16) represents Gly, Ala, Val, Leu, Ile, Phe or Tyr; Xaa(17) represents Arg, His or Lys; Xaa(18)
25 represents Gly, Ala, Val, Leu, Ile, Ser or Thr; Xaa(19) represents Thr or Ser; Xaa(20) represents Gly, Ala, Val, Leu, Ile, Asn or Gln; Xaa(21) represents Arg, His or Lys; Xaa(22) represents Asp or Glu; Xaa(23) represents Ser or Thr; Xaa(24) represents Glu, Asp, Gln or Asn; Xaa(25) represents Glu or Asp; Xaa(26) represents Arg, His or Lys; Xaa(27) represents Gly, Ala, Val, Leu or Ile; Xaa(28) represents Gly, Ala, Val, Leu, Ile, Thr or Ser; Xaa(29)
30 represents Met, Cys, Gln, Asn, Arg, Lys or His; Xaa(30) represents Arg, His or Lys; Xaa(31)

represents Trp, Phe, Tyr, Arg, His or Lys; Xaa(32) represents Gly, Ala, Val, Leu, Ile, Ser, Thr, Tyr or Phe; Xaa(33) represents Gln, Asn, Asp or Glu; Xaa(34) represents Asp or Glu; Xaa(35) represents Gly, Ala, Val, Leu, or Ile; Xaa(36) represents Arg, His or Lys; Xaa(37) represents Asn, Gln, Thr or Ser; Xaa(38) represents Gly, Ala, Val, Leu, Ile, Ser, Thr, Met or Cys; Xaa(39) represents Gly, Ala, Val, Leu, Ile, Thr or Ser; Xaa(40) represents Arg, His or Lys; Xaa(41) represents Asn, Gln, Gly, Ala, Val, Leu or Ile; Xaa(42) represents Gly, Ala, Val, Leu or Ile; Xaa(43) represents Gly, Ala, Val, Leu, Ile, Ser, Thr or Cys; Xaa(44) represents Gly, Ala, Val, Leu, Ile, Thr or Ser; and Xaa(45) represents Asp or Glu.

There are many ways by which the library of potential *hedgehog* homologs can be generated from a degenerate oligonucleotide sequence. Chemical synthesis of a degenerate gene sequence can be carried out in an automatic DNA synthesizer, and the synthetic genes then ligated into an appropriate expression vector. The purpose of a degenerate set of genes is to provide, in one mixture, all of the sequences encoding the desired set of potential *hedgehog* sequences. The synthesis of degenerate oligonucleotides is well known in the art (see for example, Narang, SA (1983) *Tetrahedron* 39:3; Itakura et al. (1981) *Recombinant DNA, Proc 3rd Cleveland Sympos. Macromolecules*, ed. AG Walton, Amsterdam: Elsevier pp273-289; Itakura et al. (1984) *Annu. Rev. Biochem.* 53:323; Itakura et al. (1984) *Science* 198:1056; Ike et al. (1983) *Nucleic Acid Res.* 11:477. Such techniques have been employed in the directed evolution of other proteins (see, for example, Scott et al. (1990) *Science* 249:386-390; Roberts et al. (1992) *PNAS* 89:2429-2433; Devlin et al. (1990) *Science* 249:404-406; Cwirla et al. (1990) *PNAS* 87: 6378-6382; as well as U.S. Patents Nos. 5,223,409, 5,198,346, and 5,096,815).

A wide range of techniques are known in the art for screening gene products of combinatorial libraries made by point mutations, and for screening cDNA libraries for gene products having a certain property. Such techniques will be generally adaptable for rapid screening of the gene libraries generated by the combinatorial mutagenesis of *hedgehog* homologs. The most widely used techniques for screening large gene libraries typically comprises cloning the gene library into replicable expression vectors, transforming appropriate cells with the resulting library of vectors, and expressing the combinatorial genes under conditions in which detection of a desired activity facilitates relatively easy isolation of

the vector encoding the gene whose product was detected. Each of the illustrative assays described below are amenable to high through-put analysis as necessary to screen large numbers of degenerate *hedgehog* sequences created by combinatorial mutagenesis techniques.

5 In one embodiment, the combinatorial library is designed to be secreted (e.g. the polypeptides of the library all include a signal sequence but no transmembrane or cytoplasmic domains), and is used to transfect a eukaryotic cell that can be co-cultured with lung cells, e.g., lung mesenchymal or epithelial cells. A functional *hedgehog* protein secreted by the cells expressing the combinatorial library will diffuse to the neighboring lung cells and
10 induce a particular biological response, such as proliferation. The pattern of detection of proliferation will resemble a gradient function, and will allow the isolation (generally after several repetitive rounds of selection) of cells producing *hedgehog* homologs active as proliferative agents with respect to the lung cells. Likewise, *hedgehog* antagonists can be selected in similar fashion by the ability of the cell producing a functional antagonist to
15 protect neighboring cells (e.g., to inhibit proliferation) from the effect of wild-type *hedgehog* added to the culture media.

To illustrate, target lung cells are cultured in 24-well microtitre plates. Other eukaryotic cells are transfected with the combinatorial *hedgehog* gene library and cultured in cell culture inserts (e.g. Collaborative Biomedical Products, Catalog #40446) that are able to
20 fit into the wells of the microtitre plate. The cell culture inserts are placed in the wells such that recombinant *hedgehog* homologs secreted by the cells in the insert can diffuse through the porous bottom of the insert and contact the target cells in the microtitre plate wells. After a period of time sufficient for functional forms of a *hedgehog* protein to produce a measurable response in the target cells, such as proliferation, the inserts are removed and the
25 effect of the variant *hedgehog* proteins on the target cells determined. Cells from the inserts corresponding to wells which score positive for activity can be split and re-cultured on several inserts, the process being repeated until the active clones are identified.

In yet another screening assay, the candidate *hedgehog* gene products are displayed on the surface of a cell or viral particle, and the ability of particular cells or viral particles to
30 associate with a *hedgehog*-binding moiety (such as the *patched* protein or other *hedgehog*

receptor) via this gene product is detected in a "panning assay". Such panning steps can be carried out on cells cultured from embryos. For instance, the gene library can be cloned into the gene for a surface membrane protein of a bacterial cell, and the resulting fusion protein detected by panning (Ladner et al., WO 88/06630; Fuchs et al. (1991) *Bio/Technology* 9:1370-1371; and Goward et al. (1992) *TIBS* 18:136-140). In a similar fashion, fluorescently labeled molecules which bind *hedgehog* can be used to score for potentially functional *hedgehog* homologs. Cells can be visually inspected and separated under a fluorescence microscope, or, where the morphology of the cell permits, separated by a fluorescence-activated cell sorter.

10 In an alternate embodiment, the gene library is expressed as a fusion protein on the surface of a viral particle. For instance, in the filamentous phage system, foreign peptide sequences can be expressed on the surface of infectious phage, thereby conferring two significant benefits. First, since these phage can be applied to affinity matrices at very high concentrations, large number of phage can be screened at one time. Second, since each
15 infectious phage displays the combinatorial gene product on its surface, if a particular phage is recovered from an affinity matrix in low yield, the phage can be amplified by another round of infection. The group of almost identical *E.coli* filamentous phages M13, fd, and f1 are most often used in phage display libraries, as either of the phage gIII or gVIII coat proteins can be used to generate fusion proteins without disrupting the ultimate packaging of
20 the viral particle (Ladner et al. PCT publication WO 90/02909; Garrard et al., PCT publication WO 92/09690; Marks et al. (1992) *J. Biol. Chem.* 267:16007-16010; Griffiths et al. (1993) *EMBO J* 12:725-734; Clackson et al. (1991) *Nature* 352:624-628; and Barbas et al. (1992) *PNAS* 89:4457-4461).

In an illustrative embodiment, the recombinant phage antibody system (RPAS,
25 Pharmacia Catalog number 27-9400-01) can be easily modified for use in expressing and screening *hedgehog* combinatorial libraries. For instance, the pCANTAB 5 phagemid of the RPAS kit contains the gene which encodes the phage gIII coat protein. The *hedgehog* combinatorial gene library can be cloned into the phagemid adjacent to the gIII signal sequence such that it will be expressed as a gIII fusion protein. After ligation, the phagemid
30 is used to transform competent *E. coli* TG1 cells. Transformed cells are subsequently

infected with M13KO7 helper phage to rescue the phagemid and its candidate *hedgehog* gene insert. The resulting recombinant phage contain phagemid DNA encoding a specific candidate *hedgehog*, and display one or more copies of the corresponding fusion coat protein. The phage-displayed candidate *hedgehog* proteins which are capable of binding an *hedgehog* receptor are selected or enriched by panning. For instance, the phage library can be applied to cells which express the *patched* protein and unbound phage washed away from the cells. The bound phage is then isolated, and if the recombinant phage express at least one copy of the wild type gIII coat protein, they will retain their ability to infect *E. coli*. Thus, successive rounds of reinfection of *E. coli*, and panning will greatly enrich for *hedgehog* homologs, which can then be screened for further biological activities in order to differentiate agonists and antagonists.

Combinatorial mutagenesis has a potential to generate very large libraries of mutant proteins, e.g., in the order of 10^{26} molecules. Combinatorial libraries of this size may be technically challenging to screen even with high throughput screening assays such as phage display. To overcome this problem, a new technique has been developed recently, recursive ensemble mutagenesis (REM), which allows one to avoid the very high proportion of non-functional proteins in a random library and simply enhances the frequency of functional proteins, thus decreasing the complexity required to achieve a useful sampling of sequence space. REM is an algorithm which enhances the frequency of functional mutants in a library when an appropriate selection or screening method is employed (Arkin and Yourvan, 1992, *PNAS USA* 89:7811-7815; Yourvan et al., 1992, *Parallel Problem Solving from Nature*, 2., In Maenner and Manderick, eds., Elsevir Publishing Co., Amsterdam, pp. 401-410; Delgrave et al., 1993, *Protein Engineering* 6(3):327-331).

The invention also provides for reduction of the *hedgehog* protein to generate mimetics, e.g. peptide or non-peptide agents, which are able to disrupt binding of a *hedgehog* polypeptide of the present invention with an *hedgehog* receptor. Thus, such mutagenic techniques as described above are also useful to map the determinants of the *hedgehog* proteins which participate in protein-protein interactions involved in, for example, binding of the subject *hedgehog* polypeptide to other extracellular matrix components. To illustrate, the critical residues of a subject *hedgehog* polypeptide which are involved in molecular

recognition of an *hedgehog* receptor such as *patched* can be determined and used to generate *hedgehog*-derived peptidomimetics which competitively inhibit binding of the authentic *hedgehog* protein with that moiety. By employing, for example, scanning mutagenesis to map the amino acid residues of each of the subject *hedgehog* proteins which are involved in binding other extracellular proteins, peptidomimetic compounds can be generated which mimic those residues of the *hedgehog* protein which facilitate the interaction. Such mimetics may then be used to interfere with the normal function of a *hedgehog* protein. For instance, non-hydrolyzable peptide analogs of such residues can be generated using benzodiazepine (e.g., see Freidinger et al. in *Peptides: Chemistry and Biology*, G.R. Marshall ed., ESCOM Publisher: Leiden, Netherlands, 1988), azepine (e.g., see Huffman et al. in *Peptides: Chemistry and Biology*, G.R. Marshall ed., ESCOM Publisher: Leiden, Netherlands, 1988), substituted gamma lactam rings (Garvey et al. in *Peptides: Chemistry and Biology*, G.R. Marshall ed., ESCOM Publisher: Leiden, Netherlands, 1988), keto-methylene pseudopeptides (Ewenson et al. (1986) *J Med Chem* 29:295; and Ewenson et al. in *Peptides: Structure and Function* (Proceedings of the 9th American Peptide Symposium) Pierce Chemical Co. Rockland, IL, 1985), β -turn dipeptide cores (Nagai et al. (1985) *Tetrahedron Lett* 26:647; and Sato et al. (1986) *J Chem Soc Perkin Trans* 1:1231), and β -aminoalcohols (Gordon et al. (1985) *Biochem Biophys Res Commun* 126:419; and Dann et al. (1986) *Biochem Biophys Res Commun* 134:71).

Recombinantly produced forms of the *hedgehog* proteins can be produced using, e.g., expression vectors containing a nucleic acid encoding a *hedgehog* polypeptide, operably linked to at least one transcriptional regulatory sequence. Operably linked is intended to mean that the nucleotide sequence is linked to a regulatory sequence in a manner which allows expression of the nucleotide sequence. Regulatory sequences are art-recognized and are selected to direct expression of a *hedgehog* polypeptide. Accordingly, the term transcriptional regulatory sequence includes promoters, enhancers and other expression control elements. Such regulatory sequences are described in Goeddel; *Gene Expression Technology: Methods in Enzymology* 185, Academic Press, San Diego, CA (1990). For instance, any of a wide variety of expression control sequences, sequences that control the expression of a DNA sequence when operatively linked to it, may be used in these vectors to express DNA sequences encoding *hedgehog* polypeptide. Such useful expression control

sequences, include, for example, a viral LTR, such as the LTR of the Moloney murine leukemia virus, the early and late promoters of SV40, adenovirus or cytomegalovirus immediate early promoter, the lac system, the trp system, the TAC or TRC system, T7 promoter whose expression is directed by T7 RNA polymerase, the major operator and promoter regions of phage λ , the control regions for fd coat protein, the promoter for 3-phosphoglycerate kinase or other glycolytic enzymes, the promoters of acid phosphatase, e.g., Pho5, the promoters of the yeast α -mating factors, the polyhedron promoter of the baculovirus system and other sequences known to control the expression of genes of prokaryotic or eukaryotic cells or their viruses, and various combinations thereof. It should be understood that the design of the expression vector may depend on such factors as the choice of the host cell to be transformed and/or the type of protein desired to be expressed. Moreover, the vector's copy number, the ability to control that copy number and the expression of any other proteins encoded by the vector, such as antibiotic markers, should also be considered.

In addition to providing a ready source of *hedgehog* polypeptides for purification, the gene constructs of the present invention can also be used as a part of a gene therapy protocol to deliver nucleic acids encoding either an agonistic or antagonistic form of a *hedgehog* polypeptide. Thus, another aspect of the invention features expression vectors for *in vivo* transfection of a *hedgehog* polypeptide in particular cell types so as cause ectopic expression of a *hedgehog* polypeptide in lung tissue.

Formulations of such expression constructs may be administered in any biologically effective carrier, e.g. any formulation or composition capable of effectively delivering the recombinant gene to cells *in vivo*. Approaches include insertion of the *hedgehog* coding sequence in viral vectors including recombinant retroviruses, adenovirus, adeno-associated virus, and herpes simplex virus-1, or recombinant bacterial or eukaryotic plasmids. Viral vectors transfect cells directly; plasmid DNA can be delivered with the help of, for example, cationic liposomes (lipofectin) or derivatized (e.g. antibody conjugated), polylysine conjugates, gramicidin S, artificial viral envelopes or other such intracellular carriers, as well as direct injection of the gene construct or CaPO_4 precipitation carried out *in vivo*. It will be appreciated that because transduction of appropriate target cells represents the critical first

step in gene therapy, choice of the particular gene delivery system will depend on such factors as the phenotype of the intended target and the route of administration, e.g. locally or systemically. Furthermore, it will be recognized that the particular gene construct provided for *in vivo* transduction of *hedgehog* expression are also useful for *in vitro* transduction of cells, such as for use in the *ex vivo* tissue culture systems described below.

A preferred approach for *in vivo* introduction of nucleic acid into a cell is by use of a viral vector containing nucleic acid, e.g. a cDNA, encoding the particular form of the *hedgehog* polypeptide desired. Infection of cells with a viral vector has the advantage that a large proportion of the targeted cells can receive the nucleic acid. Additionally, molecules encoded within the viral vector, e.g., by a cDNA contained in the viral vector, are expressed efficiently in cells which have taken up viral vector nucleic acid.

Retrovirus vectors and adeno-associated virus vectors are generally understood to be the recombinant gene delivery system of choice for the transfer of exogenous genes *in vivo*, particularly into humans. These vectors provide efficient delivery of genes into cells, and the transferred nucleic acids are stably integrated into the chromosomal DNA of the host. A major prerequisite for the use of retroviruses is to ensure the safety of their use, particularly with regard to the possibility of the spread of wild-type virus in the cell population. The development of specialized cell lines (termed "packaging cells") which produce only replication-defective retroviruses has increased the utility of retroviruses for gene therapy, and defective retroviruses are well characterized for use in gene transfer for gene therapy purposes (for a review see Miller, A.D. (1990) *Blood* 76:271). Thus, recombinant retrovirus can be constructed in which part of the retroviral coding sequence (*gag*, *pol*, *env*) has been replaced by nucleic acid encoding a *hedgehog* polypeptide and renders the retrovirus replication defective. The replication defective retrovirus is then packaged into virions which can be used to infect a target cell through the use of a helper virus by standard techniques. Protocols for producing recombinant retroviruses and for infecting cells *in vitro* or *in vivo* with such viruses can be found in Current Protocols in Molecular Biology, Ausubel, F.M. et al. (eds.) Greene Publishing Associates, (1989), Sections 9.10-9.14 and other standard laboratory manuals. Examples of suitable retroviruses include pLJ, pZIP, pWE and pEM which are well known to those skilled in the art. Examples of suitable packaging virus lines

for preparing both ecotropic and amphotropic retroviral systems include Crip, Cre, 2 and Am. Retroviruses have been used to introduce a variety of genes into many different cell types, including lung cells, *in vitro* and/or *in vivo* (see for example Eglitis, et al. (1985) *Science* 230:1395-1398; Danos and Mulligan (1988) *Proc. Natl. Acad. Sci. USA* 85:6460-6464; 5 Wilson et al. (1988) *Proc. Natl. Acad. Sci. USA* 85:3014-3018; Armentano et al. (1990) *Proc. Natl. Acad. Sci. USA* 87:6141-6145; Huber et al. (1991) *Proc. Natl. Acad. Sci. USA* 88:8039-8043; Ferry et al. (1991) *Proc. Natl. Acad. Sci. USA* 88:8377-8381; Chowdhury et al. (1991) *Science* 254:1802-1805; van Beusechem et al. (1992) *Proc. Natl. Acad. Sci. USA* 89:7640-7644; Kay et al. (1992) *Human Gene Therapy* 3:641-647; Dai et al. (1992) *Proc. Natl. Acad. Sci. USA* 89:10892-10895; Hwu et al. (1993) *J. Immunol.* 150:4104-4115; U.S. Patent No. 4,868,116; U.S. Patent No. 4,980,286; PCT Application WO 89/07136; PCT Application WO 89/02468; PCT Application WO 89/05345; and PCT Application WO 92/07573).

Furthermore, it has been shown that it is possible to limit the infection spectrum of retroviruses and consequently of retroviral-based vectors, by modifying the viral packaging 15 proteins on the surface of the viral particle (see, for example PCT publications WO93/25234 and WO94/06920). For instance, strategies for the modification of the infection spectrum of retroviral vectors include: coupling antibodies specific for cell surface antigens to the viral *env* protein (Roux et al. (1989) *PNAS* 86:9079-9083; Julan et al. (1992) *J. Gen Virol* 73:3251-3255; and Goud et al. (1983) *Virology* 163:251-254); or coupling cell surface 20 receptor ligands to the viral *env* proteins (Neda et al. (1991) *J Biol Chem* 266:14143-14146). Coupling can be in the form of the chemical cross-linking with a protein or other variety (e.g. lactose to convert the *env* protein to an asialoglycoprotein), as well as by generating fusion proteins (e.g. single-chain antibody/*env* fusion proteins). This technique, while useful to limit or otherwise direct the infection to certain tissue types, can also be used to convert an 25 ecotropic vector in to an amphotropic vector.

Moreover, use of retroviral gene delivery can be further enhanced by the use of tissue- or cell-specific transcriptional regulatory sequences which control expression of the *hedgehog* gene of the retroviral vector.

Another viral gene delivery system useful in the present method utilizes adenovirus- 30 derived vectors. The genome of an adenovirus can be manipulated such that it encodes and

expresses a gene product of interest but is inactivated in terms of its ability to replicate in a normal lytic viral life cycle. See for example Berkner et al. (1988) *BioTechniques* 6:616; Rosenfeld et al. (1991) *Science* 252:431-434; and Rosenfeld et al. (1992) *Cell* 68:143-155. Suitable adenoviral vectors derived from the adenovirus strain Ad type 5 dl324 or other strains of adenovirus (e.g., Ad2, Ad3, Ad7 etc.) are well known to those skilled in the art. Recombinant adenoviruses can be advantageous in certain circumstances in that they can be used to infect a wide variety of cell types, including lung cells (Rosenfeld et al. (1992) cited *supra*). Furthermore, the virus particle is relatively stable and amenable to purification and concentration, and as above, can be modified so as to affect the spectrum of infectivity. Additionally, introduced adenoviral DNA (and foreign DNA contained therein) is not integrated into the genome of a host cell but remains episomal, thereby avoiding potential problems that can occur as a result of insertional mutagenesis in situations where introduced DNA becomes integrated into the host genome (e.g., retroviral DNA). Moreover, the carrying capacity of the adenoviral genome for foreign DNA is large (up to 8 kilobases) relative to other gene delivery vectors (Berkner et al. cited *supra*; Haj-Ahmand and Graham (1986) *J. Virol.* 57:267). Most replication-defective adenoviral vectors currently in use and therefore favored by the present invention are deleted for all or parts of the viral E1 and E3 genes but retain as much as 80% of the adenoviral genetic material (see, e.g., Jones et al. (1979) *Cell* 16:683; Berkner et al., *supra*; and Graham et al. in Methods in Molecular Biology, E.J. Murray, Ed. (Humana, Clifton, NJ, 1991) vol. 7. pp. 109-127). Expression of the inserted *hedgehog* gene can be under control of, for example, the E1A promoter, the major late promoter (MLP) and associated leader sequences, the E3 promoter, or exogenously added promoter sequences.

In addition to viral transfer methods, such as those illustrated above, non-viral methods can also be employed to cause expression of a *hedgehog* polypeptide in the tissue of an animal. Most nonviral methods of gene transfer rely on normal mechanisms used by mammalian cells for the uptake and intracellular transport of macromolecules. In preferred embodiments, non-viral gene delivery systems of the present invention rely on endocytic pathways for the uptake of the *hedgehog* polypeptide gene by the targeted cell. Exemplary gene delivery systems of this type include liposomal derived systems, poly-lysine conjugates, and artificial viral envelopes.

In clinical settings, the gene delivery systems for the therapeutic *hedgehog* gene can be introduced into a patient by any of a number of methods, each of which is familiar in the art. For instance, a pharmaceutical preparation of the gene delivery system can be introduced systemically, e.g. by intravenous injection, and specific transduction of the protein in the target cells occurs predominantly from specificity of transfection provided by the gene delivery vehicle, cell-type or tissue-type expression due to the transcriptional regulatory sequences controlling expression of the receptor gene, or a combination thereof. In other embodiments, initial delivery of the recombinant gene is more limited with introduction into the animal being quite localized. For example, the gene delivery vehicle can be introduced by catheter (see U.S. Patent 5,328,470) or by stereotactic injection (e.g. Chen et al. (1994) *PNAS* 91: 3054-3057). A *hedgehog* expression construct can be delivered in a gene therapy construct to dermal cells by, e.g., electroporation using techniques described, for example, by Dev et al. ((1994) *Cancer Treat Rev* 20:105-115).

The pharmaceutical preparation of the gene therapy construct can consist essentially of the gene delivery system in an acceptable diluent, or can comprise a slow release matrix in which the gene delivery vehicle is imbedded. Alternatively, where the complete gene delivery system can be produced intact from recombinant cells, e.g. retroviral vectors, the pharmaceutical preparation can comprise one or more cells which produce the gene delivery system.

In yet another embodiment, the *ptc*, *hedgehog* or *fgf-10* therapeutic can be a "gene activation" construct which, by homologous recombination with a genomic DNA, alters the transcriptional regulatory sequences of an endogenous gene. For instance, the gene activation construct can replace the endogenous promoter of a *hedgehog* gene with a heterologous promoter, e.g., one which causes constitutive expression of the *hedgehog* gene or which causes inducible expression of the gene under conditions different from the normal expression pattern of the gene. Other genes in the *patched* signaling pathway can be similarly targeted. A variety of different formats for the gene activation constructs are available. See, for example, the Transkaryotic Therapies, Inc PCT publications WO93/09222, WO95/31560, WO96/29411, WO95/31560 and WO94/12650.

In preferred embodiments, the nucleotide sequence used as the gene activation construct can be comprised of (1) DNA from some portion of the endogenous *hedgehog* gene (exon sequence, intron sequence, promoter sequences, etc.) which direct recombination and (2) heterologous transcriptional regulatory sequence(s) which is to be operably linked to the coding sequence for the genomic *hedgehog* gene upon recombination of the gene activation construct. For use in generating cultures of *hedgehog* producing cells, the construct may further include a reporter gene to detect the presence of the knockout construct in the cell.

The gene activation construct is inserted into a cell, and integrates with the genomic DNA of the cell in such a position so as to provide the heterologous regulatory sequences in operative association with the native *hedgehog* gene. Such insertion occurs by homologous recombination, i.e., recombination regions of the activation construct that are homologous to the endogenous *hedgehog* gene sequence hybridize to the genomic DNA and recombine with the genomic sequences so that the construct is incorporated into the corresponding position of the genomic DNA.

The terms "recombination region" or "targeting sequence" refer to a segment (i.e., a portion) of a gene activation construct having a sequence that is substantially identical to or substantially complementary to a genomic gene sequence, e.g., including 5' flanking sequences of the genomic gene, and can facilitate homologous recombination between the genomic sequence and the targeting transgene construct.

As used herein, the term "replacement region" refers to a portion of a activation construct which becomes integrated into an endogenous chromosomal location following homologous recombination between a recombination region and a genomic sequence.

The heterologous regulatory sequences, e.g., which are provided in the replacement region, can include one or more of a variety elements, including: promoters (such as constitutive or inducible promoters), enhancers, negative regulatory elements, locus control regions, transcription factor binding sites, or combinations thereof. Promoters/enhancers which may be used to control the expression of the targeted gene *in vivo* include, but are not limited to, the cytomegalovirus (CMV) promoter/enhancer (Karasuyama et al., 1989, *J. Exp. Med.*, 169:13), the human β -actin promoter (Gunning et al. (1987) *PNAS* 84:4831-4835), the glucocorticoid-inducible promoter present in the mouse mammary tumor virus long terminal

repeat (MMTV LTR) (Klessig et al. (1984) *Mol. Cell Biol.* 4:1354-1362), the long terminal repeat sequences of Moloney murine leukemia virus (MuLV LTR) (Weiss et al. (1985) *RNA Tumor Viruses*, Cold Spring Harbor Laboratory, Cold Spring Harbor, New York), the SV40 early or late region promoter (Bernoist et al. (1981) *Nature* 290:304-310; Templeton et al. 5 (1984) *Mol. Cell Biol.*, 4:817; and Sprague et al. (1983) *J. Virol.*, 45:773), the promoter contained in the 3' long terminal repeat of Rous sarcoma virus (RSV) (Yamamoto et al., 1980, *Cell*, 22:787-797), the herpes simplex virus (HSV) thymidine kinase promoter/enhancer (Wagner et al. (1981) *PNAS* 82:3567-71), and the herpes simplex virus LAT promoter (Wolfe et al. (1992) *Nature Genetics*, 1:379-384).

10 In an exemplary embodiment, portions of the 5' flanking region of the human Shh gene are amplified using primers which add restriction sites, to generate the following fragments

5'-gcgcgccttcgaaGCGAGGCAGCCAGCGAGGGAGAGAGCGAGCGGGCGAGCCGGAGC-
GAGGAAatcgatgcgcgc (primer 1)

15

5'-gcgcgcagatctGGGAAAGCGCAAGAGAGAGCGCACACGCACACACCCGCCGCGCG-
CACTCGggatccgcgcgc (primer 2)

20 As illustrated, primer 1 includes a 5' non-coding region of the human Shh gene and is flanked by an AsuII and ClaI restriction sites. Primer 2 includes a portion of the 5' non-coding region immediately 3' to that present in primer 1. The *hedgehog* gene sequence is flanked by XhoII and BamHI restriction sites. The purified amplimers are cut with each of the enzymes as appropriate.

25 The vector pCDNA1.1 (Invitrogen) includes a CMV promoter. The plasmid is cut with with AsuII, which cleaves just 3' to the CMV promoter sequence. The AsuII/ClaI fragment of primer 1 is ligated to the AsuII cleavage site of the pcDNA vector. The ClaI/AsuII ligation destroys the AsuII site at the 3' end of a properly inserted primer 1.

The vector is then cut with BamHI, and an XhoII/BamHI fragment of primer 2 is ligated to the BamHI cleavage site. As above, the BamHI/XhoII ligation destroys the BamHI site at the 5' end of a properly inserted primer 2.

Individual colonies are selected, cut with AsuII and BamHI, and the size of the
 5 AsuII/BamHI fragment determined. Colonies in which both the primer 1 and primer 2 sequences are correctly inserted are further amplified, an cut with AsuII and BamHI to produce the gene activation construct

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cgaagcgaggcagccagcgagggagagagcgagcgggcgagccggagcgaggaaATCGAAGG
TTCGAATCCTTCCCCCACCACCATCACTTTCAAAAGTCCGAAAGAATCTGCTCCCTGCTTGT
10 GTGTTGGAGGTCGCTGAGTAGTGCGCGAGTAAATTTAAGCTACAACAAGGCAAGGCTTGAC
CGACAATTGCATGAAGAATCTGCTTAGGGTTAGGCGTTTTGCGCTGCTTCGCGATGTACGGG
CCAGATATACGCGTTGACATTGATTATTGACTAGTTATTAATAGTAATCAATTACGGGGTCA
TTAGTTCATAGCCCATATATGGAGTTCGCGGTTACATAACTTACGGTAAATGGCCCGCCTGG
CTGACCGCCCAACGACCCCGCCCATTGACGTCAATAATGACGTATGTTCCCATAGTAACGC
15 CAATAGGGACTTTCCATTGACGTCAATGGGTGGACTATTTACGGTAAACTGCCCACTTGGCA
GTACATCAAGTGTATCATATGCCAAGTACGCCCCCTATTGACGTCAATGACGGTAAATGGCC
CGCCTGGCATTATGCCAGTACATGACCTTATGGGACTTTCCTACTTGGCAGTACATCTACG
TATTAGTCATCGCTATTACCATGGTGATGCGGTTTTGGCAGTACATCAATGGGCGTGGATAG
CGGTTTGACTCACGGGGATTTCCAAAGTCTCCACCCCATTGACGTCAATGGGAGTTTGTGTTG
20 GCACCAAATCAACGGGACTTTCCAAAATGTCGTAACAACCTCCGCCCCATTGACGCAAATGG
GCGGTAGGCGTGACGGTGGGAGGTCTATATAAGCAGAGCTCTCTGGCTAACTAGAGAACCC
ACTGCTTACTGGCTTATCGAAATTAATACGACTCACTATAGGGAGACCCAAGCTTGGTACCG
AGCTCGGATCgatctgggaaagcgcaagagagagcgcacacgcacacccgccgcgcgcac
tcgg
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25 In this construct, the flanking primer 1 and primer 2 sequences provide the recombination region which permits the insertion of the CMV promoter in front of the coding sequence for the human *Shh* gene. Other heterologous promoters (or other transcriptional regulatory sequences) can be inserted in a genomic *hedgehog* gene by a similar method.

In still other embodiments, the replacement region merely deletes a negative
 30 transcriptional control element of the native gene, e.g., to activate expression, or ablates a positive control element, e.g., to inhibit expression of the targeted gene.

V. Exemplary ptc therapeutic compounds.

5 In another embodiment, the subject method is carried out using a *ptc* therapeutic composition. Such compositions can be generated with, for example, compounds which bind to *patched* and alter its signal transduction activity, compounds which alter the binding and/or enzymatic activity of a protein (e.g., intracellular) involved in *patched* signal pathway, and compounds which alter the level of expression of a *hedgehog* protein, a *patched* protein or a protein involved in the intracellular signal transduction pathway of *patched*.

10 The availability of purified and recombinant *hedgehog* polypeptides facilitates the generation of assay systems which can be used to screen for drugs, such as small organic molecules, which are either agonists or antagonists of the normal cellular function of a *hedgehog* and/or *patched* protein, particularly their role in the pathogenesis of proliferation and/or differentiation of various lung cells and maintenance of lung tissue. In one
15 embodiment, the assay evaluates the ability of a compound to modulate binding between a *hedgehog* polypeptide and a *hedgehog* receptor such as *patched*. In other embodiments, the assay merely scores for the ability of a test compound to alter the signal transduction activity of the *patched* protein. In this manner, a variety of *hedgehog* and/or *ptc* therapeutics, both proliferative and anti-proliferative in activity, can be identified. A variety of assay formats
20 will suffice and, in light of the present disclosure, will be comprehended by skilled artisan.

In many drug screening programs which test libraries of compounds and natural extracts, high throughput assays are desirable in order to maximize the number of compounds surveyed in a given period of time. Assays which are performed in cell-free systems, such as may be derived with purified or semi-purified proteins, are often preferred as "primary"
25 screens in that they can be generated to permit rapid development and relatively easy detection of an alteration in a molecular target which is mediated by a test compound. Moreover, the effects of cellular toxicity and/or bioavailability of the test compound can be generally ignored in the *in vitro* system, the assay instead being focused primarily on the

effect of the drug on the molecular target as may be manifest in an alteration of binding affinity with receptor proteins.

Accordingly, in an exemplary screening assay for *ptc* therapeutics, the compound of interest is contacted with a mixture including a *hedgehog* receptor protein (e.g., a cell
5 expressing the *patched* receptor) and a *hedgehog* protein under conditions in which it is ordinarily capable of binding the *hedgehog* protein. To the mixture is then added a composition containing a test compound. Detection and quantification of receptor/*hedgehog* complexes provides a means for determining the test compound's efficacy at inhibiting (or potentiating) complex formation between the receptor protein and the *hedgehog* polypeptide.
10 The efficacy of the compound can be assessed by generating dose response curves from data obtained using various concentrations of the test compound. Moreover, a control assay can also be performed to provide a baseline for comparison. In the control assay, isolated and purified *hedgehog* polypeptide is added to the receptor protein, and the formation of receptor/*hedgehog* complex is quantitated in the absence of the test compound.

15 In other embodiments, a *ptc* therapeutic of the present invention is one which disrupts the association of *patched* with *smoothened*.

Agonist and antagonists of cell growth can be distinguished, and the efficacy of the compound can be assessed, by subsequent testing with certain lung cells, e.g., in culture.

In an illustrative embodiment, the polypeptide utilized as a *hedgehog* receptor can be
20 generated from the *patched* protein. Accordingly, an exemplary screening assay includes all or a suitable portion of the *patched* protein which can be obtained from, for example, the human *patched* gene (GenBank U43148) or other vertebrate sources (see GenBank Accession numbers U40074 for chicken *patched* and U46155 for mouse *patched*), as well as from drosophila (GenBank Accession number M28999) or other invertebrate sources. The
25 *patched* protein can be provided in the screening assay as a whole protein (preferably expressed on the surface of a cell), or alternatively as a fragment of the full length protein which binds to *hedgehog* polypeptides, e.g., as one or both of the substantial extracellular domains (e.g. corresponding to residues Asn120-Ser438 and/or Arg770-Trp1027 of the human *patched* protein - which are also potential antagonists of *hedgehog*-dependent signal
30 transduction). For instance, the *patched* protein can be provided in soluble form, as for

example a preparation of one of the extracellular domains, or a preparation of both of the extracellular domains which are covalently connected by an unstructured linker (see, for example, Huston et al. (1988) PNAS 85:4879; and U.S. Patent No. 5,091,513). In other embodiments, the protein can be provided as part of a liposomal preparation or expressed on the surface of a cell. The *patched* protein can be derived from a recombinant gene, e.g., being ectopically expressed in a heterologous cell. For instance, the protein can be expressed on oocytes, mammalian cells (e.g., COS, CHO, 3T3 or the like), or yeast cell by standard recombinant DNA techniques. These recombinant cells can be used for receptor binding, signal transduction or gene expression assays. Marigo et al. (1996) *Development* 122:1225-1233 illustrates a binding assay of human *hedgehog* to chick *patched* protein ectopically expressed in *Xenopus laevis* oocytes. The assay system of Marigo et al. can be adapted to the present drug screening assays. As illustrated in that reference, *Shh* binds to the *patched* protein in a selective, saturable, dose-dependent manner, thus demonstrating that *patched* is a receptor for *Shh*.

Complex formation between the *hedgehog* polypeptide and a *hedgehog* receptor may be detected by a variety of techniques. For instance, modulation of the formation of complexes can be quantitated using, for example, detectably labelled proteins such as radiolabelled, fluorescently labelled, or enzymatically labelled *hedgehog* polypeptides, by immunoassay, or by chromatographic detection.

Typically, for cell-free assays, it will be desirable to immobilize either the *hedgehog* receptor or the *hedgehog* polypeptide to facilitate separation of receptor/*hedgehog* complexes from uncomplexed forms of one of the proteins, as well as to accommodate automation of the assay. In one embodiment, a fusion protein can be provided which adds a domain that allows the protein to be bound to a matrix. For example, glutathione-S-transferase/receptor (GST/receptor) fusion proteins can be adsorbed onto glutathione sepharose beads (Sigma Chemical, St. Louis, MO) or glutathione derivatized microtitre plates, which are then combined with the *hedgehog* polypeptide, e.g. an ³⁵S-labeled *hedgehog* polypeptide, and the test compound and incubated under conditions conducive to complex formation, e.g. at physiological conditions for salt and pH, though slightly more stringent conditions may be desired. Following incubation, the beads are washed to remove any unbound *hedgehog*

polypeptide, and the matrix bead-bound radiolabel determined directly (e.g. beads placed in scintillant), or in the supernatant after the receptor/*hedgehog* complexes are dissociated. Alternatively, the complexes can be dissociated from the bead, separated by SDS-PAGE gel, and the level of *hedgehog* polypeptide found in the bead fraction quantitated from the gel
5 using standard electrophoretic techniques.

Other techniques for immobilizing proteins on matrices are also available for use in the subject assay. For instance, soluble portions of the *hedgehog* receptor protein can be immobilized utilizing conjugation of biotin and streptavidin. For instance, biotinylated receptor molecules can be prepared from biotin-NHS (N-hydroxy-succinimide) using
10 techniques well known in the art (e.g., biotinylation kit, Pierce Chemicals, Rockford, IL), and immobilized in the wells of streptavidin-coated 96 well plates (Pierce Chemical). Alternatively, antibodies reactive with the *hedgehog* receptor but which do not interfere with *hedgehog* binding can be derivatized to the wells of the plate, and the receptor trapped in the wells by antibody conjugation. As above, preparations of a *hedgehog* polypeptide and a test
15 compound are incubated in the receptor-presenting wells of the plate, and the amount of receptor/*hedgehog* complex trapped in the well can be quantitated. Exemplary methods for detecting such complexes, in addition to those described above for the GST-immobilized complexes, include immunodetection of complexes using antibodies reactive with the *hedgehog* polypeptide, or which are reactive with the receptor protein and compete for
20 binding with the *hedgehog* polypeptide; as well as enzyme-linked assays which rely on detecting an enzymatic activity associated with the *hedgehog* polypeptide. In the instance of the latter, the enzyme can be chemically conjugated or provided as a fusion protein with the *hedgehog* polypeptide. To illustrate, the *hedgehog* polypeptide can be chemically cross-linked or genetically fused with alkaline phosphatase, and the amount of *hedgehog*
25 polypeptide trapped in the complex can be assessed with a chromogenic substrate of the enzyme, e.g. paranitrophenylphosphate. Likewise, a fusion protein comprising the *hedgehog* polypeptide and glutathione-S-transferase can be provided, and complex formation quantitated by detecting the GST activity using 1-chloro-2,4-dinitrobenzene (Habig et al (1974) *J Biol Chem* 249:7130).

For processes which rely on immunodetection for quantitating one of the proteins trapped in the complex, antibodies against the protein, such as the anti-*hedgehog* antibodies described herein, can be used. Alternatively, the protein to be detected in the complex can be "epitope tagged" in the form of a fusion protein which includes, in addition to the *hedgehog* polypeptide or *hedgehog* receptor sequence, a second polypeptide for which antibodies are readily available (e.g. from commercial sources). For instance, the GST fusion proteins described above can also be used for quantification of binding using antibodies against the GST moiety. Other useful epitope tags include myc-epitopes (e.g., see Ellison et al. (1991) *J Biol Chem* 266:21150-21157) which includes a 10-residue sequence from c-myc, as well as the pFLAG system (International Biotechnologies, Inc.) or the pEZZ-protein A system (Pharmacia, NJ).

Where the desired portion of the *hedgehog* receptor (or other *hedgehog* binding molecule) cannot be provided in soluble form, liposomal vesicles can be used to provide manipulatable and isolatable sources of the receptor. For example, both authentic and recombinant forms of the *patched* protein can be reconstituted in artificial lipid vesicles (e.g. phosphatidylcholine liposomes) or in cell membrane-derived vesicles (see, for example, Bear et al. (1992) *Cell* 68:809-818; Newton et al. (1983) *Biochemistry* 22:6110-6117; and Reber et al. (1987) *J Biol Chem* 262:11369-11374).

In addition to cell-free assays, such as described above, the readily available source of *hedgehog* proteins provided by the art also facilitates the generation of cell-based assays for identifying small molecule agonists/antagonists and the like. Analogous to the cell-based assays described above for screening combinatorial libraries, cells which are sensitive to *hedgehog* induction, e.g. *patched*-expressing cells or other lung-derived cells sensitive to *hedgehog* induction, can be contacted with a *hedgehog* protein and a test agent of interest, with the assay scoring for anything from simple binding to the cell to modulation in *hedgehog* inductive responses by the target cell in the presence and absence of the test agent. As with the cell-free assays, agents which produce a statistically significant change in *hedgehog* activities (either inhibition or potentiation) can be identified.

In other emdodiments, the cell-based assay scores for agents which disrupt association of *patched* and *smoothened* proteins, e.g., in the cell surface membrane or liposomal preparation.

In addition to characterizing cells that naturally express the *patched* protein, cells
 5 which have been genetically engineered to ectopically express *patched* can be utilized for drug screening assays. As an example, cells which either express low levels or lack expression of the *patched* protein, e.g. *Xenopus laevis* oocytes, COS cells or yeast cells, can be genetically modified using standard techniques to ectopically express the *patched* protein. (see Marigo et al., *supra*).

10 The resulting recombinant cells, e.g., which express a functional *patched* receptor, can be utilized in receptor binding assays to identify agonist or anatagonsts of *hedgehog* binding. Binding assays can be performed using whole cells. Furthermore, the recombinant cells of the present invention can be engineered to include other heterolgous genes encoding proteins involved in *hedgehog*-dependent siganl pathways. For example, the gene products
 15 of one or more of *smoothened*, *costal-2* and/or *fused* can be co-expressed with *patched* in the reagent cell, with assays being sensitive to the functional reconstituion of the *hedgehog* signal transduction cascade.

Alternatively, liposomal preparations using reconstituted *patched* protein can be utilized. *Patched* protein purified from detergent extracts from both authentic and
 20 recombinant origins can be reconstituted in in artificial lipid vesicles (e.g. phosphatidylcholine liposomes) or in cell membrane-derived vesicles (see, for example, Bear et al. (1992) *Cell* 68:809-818; Newton et al. (1983) *Biochemistry* 22:6110-6117; and Reber et al. (1987) *J Biol Chem* 262:11369-11374). The lamellar structure and size of the resulting liposomes can be characterized using electron microscopy. External orientation of the
 25 *patched* protein in the reconstituted membranes can be demonstrated, for example, by immunoelectron microscopy. The *hedgehog* protein binding activity of liposomes containing *patched* and liposomes without the protein in the presence of candidate agents can be compared in order to identify potential modulators of the *hedgehog-patched* interaction.

The *hedgehog* protein used in these cell-based assays can be provided as a purified
 30 source (natural or recombinant in origin), or in the form of cells/tissue which express the

protein and which are co-cultured with the target cells. As in the cell-free assays, where simple binding (rather than induction) is the *hedgehog* activity scored for in the assay, the protein can be labelled by any of the above-mentioned techniques, e.g., fluorescently, enzymatically or radioactively, or detected by immunoassay.

5 In addition to binding studies, functional assays can be used to identify modulators, i.e., agonists or antagonists, of *hedgehog* or *patched* activities. By detecting changes in intracellular signals, such as alterations in second messengers or gene expression, in *patched*-expressing cells contacted with a test agent, candidate agonists and antagonists to *patched* signaling can be identified.

10 A number of gene products have been implicated in *patched*-mediated signal transduction, including *patched*, the transcription factor *cubitus interruptus* (ci), the serine/threonine kinase *fused* (fu) and the gene products of *costal-2*, *smoothened* and *suppressor of fused*.

The interaction of a *hedgehog* protein with *patched* sets in motion a cascade involving
 15 the activation and inhibition of downstream effectors, the ultimate consequence of which is, in some instances, a detectable change in the transcription or translation of a gene. Potential transcriptional targets of *patched* signaling are the *patched* gene itself (Hidalgo and Ingham, 1990 *Development* 110, 291-301; Marigo et al., 1996) and the vertebrate homologs of the drosophila cubitus interruptus gene, the *GLI* genes (Hui et al. (1994) *Dev Biol* 162:402-413).
 20 *Patched* gene expression has been shown to be induced in cells of the limb bud and the neural plate that are responsive to *Shh*. (Marigo et al. (1996) *PNAS*; Marigo et al. (1996) *Development* 122:1225-1233). The *GLI* genes encode putative transcription factors having zinc finger DNA binding domains (Orenic et al. (1990) *Genes & Dev* 4:1053-1067; Kinzler et al. (1990) *Mol Cell Biol* 10:634-642). Transcription of the *GLI* gene has been reported to
 25 be upregulated in response to *hedgehog* in limb buds, while transcription of the *GLI3* gene is downregulated in response to *hedgehog* induction (Marigo et al. (1996) *Development* 122:1225-1233). By selecting transcriptional regulatory sequences from such target genes, e.g. from *patched* or *GLI* genes, that are responsible for the up- or down regulation of these genes in response to *patched* signalling, and operatively linking such promoters to a reporter
 30 gene, one can derive a transcription based assay which is sensitive to the ability of a specific

test compound to modify *patched* signalling pathways. Expression of the reporter gene, thus, provides a valuable screening tool for the development of compounds that act as agonists or antagonists of *ptc* induction of differentiation/quiescence.

Reporter gene based assays of this invention measure the end stage of the above described cascade of events, e.g., transcriptional modulation. Accordingly, in practicing one embodiment of the assay, a reporter gene construct is inserted into the reagent cell in order to generate a detection signal dependent on *ptc* signaling. To identify potential regulatory elements responsive to *ptc* signaling present in the transcriptional regulatory sequence of a target gene, nested deletions of genomic clones of the target gene can be constructed using standard techniques. See, for example, Current Protocols in Molecular Biology, Ausubel, F.M. et al. (eds.) Greene Publishing Associates, (1989); U.S. Patent 5,266,488; Sato et al. (1995) *J Biol Chem* 270:10314-10322; and Kube et al. (1995) *Cytokine* 7:1-7. A nested set of DNA fragments from the gene's 5'-flanking region are placed upstream of a reporter gene, such as the luciferase gene, and assayed for their ability to direct reporter gene expression in *patched* expressing cells. Host cells transiently transfected with reporter gene constructs can be scored for the induction of expression of the reporter gene in the presence and absence of *hedgehog* to determine regulatory sequences which are responsive to *patched*-dependent signalling.

In practicing one embodiment of the assay, a reporter gene construct is inserted into the reagent cell in order to generate a detection signal dependent on second messengers generated by induction with *hedgehog* protein. Typically, the reporter gene construct will include a reporter gene in operative linkage with one or more transcriptional regulatory elements responsive to the *hedgehog* activity, with the level of expression of the reporter gene providing the *hedgehog*-dependent detection signal. The amount of transcription from the reporter gene may be measured using any method known to those of skill in the art to be suitable. For example, mRNA expression from the reporter gene may be detected using RNase protection or RNA-based PCR, or the protein product of the reporter gene may be identified by a characteristic stain or an intrinsic activity. The amount of expression from the reporter gene is then compared to the amount of expression in either the same cell in the absence of the test compound (or *hedgehog*) or it may be compared with the amount of

transcription in a substantially identical cell that lacks the target receptor protein. Any statistically or otherwise significant difference in the amount of transcription indicates that the test compound has in some manner altered the signal transduction of the *patched* protein, e.g., the test compound is a potential *ptc* therapeutic.

5 As described in further detail below, in preferred embodiments the gene product of the reporter is detected by an intrinsic activity associated with that product. For instance, the reporter gene may encode a gene product that, by enzymatic activity, gives rise to a detection signal based on color, fluorescence, or luminescence. In other preferred embodiments, the reporter or marker gene provides a selective growth advantage, e.g., the reporter gene may
10 enhance cell viability, relieve a cell nutritional requirement, and/or provide resistance to a drug.

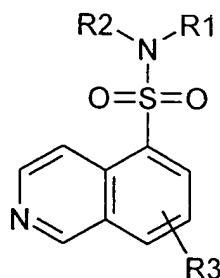
Preferred reporter genes are those that are readily detectable. The reporter gene may also be included in the construct in the form of a fusion gene with a gene that includes desired transcriptional regulatory sequences or exhibits other desirable properties. Examples
15 of reporter genes include, but are not limited to CAT (chloramphenicol acetyl transferase) (Alton and Vapnek (1979), Nature 282: 864-869) luciferase, and other enzyme detection systems, such as beta-galactosidase; firefly luciferase (deWet et al. (1987), Mol. Cell. Biol. 7:725-737); bacterial luciferase (Engebrecht and Silverman (1984), PNAS 1: 4154-4158; Baldwin et al. (1984), Biochemistry 23: 3663-3667); alkaline phosphatase (Toh et al. (1989)
20 Eur. J. Biochem. 182: 231-238, Hall et al. (1983) J. Mol. Appl. Gen. 2: 101), human placental secreted alkaline phosphatase (Cullen and Malim (1992) Methods in Enzymol. 216:362-368).

Transcriptional control elements which may be included in a reporter gene construct include, but are not limited to, promoters, enhancers, and repressor and activator binding
25 sites. Suitable transcriptional regulatory elements may be derived from the transcriptional regulatory regions of genes whose expression is induced after modulation of a *patched* signal transduction pathway. The characteristics of preferred genes from which the transcriptional control elements are derived include, but are not limited to, low or undetectable expression in quiescent cells, rapid induction at the transcriptional level within minutes of extracellular
30 stimulation, induction that is transient and independent of new protein synthesis, subsequent

shut-off of transcription requires new protein synthesis, and mRNAs transcribed from these genes have a short half-life. It is not necessary for all of these properties to be present.

In yet other embodiments, second messenger generation can be measured directly in the detection step, such as mobilization of intracellular calcium, phospholipid metabolism or adenylyate cyclase activity are quantitated, for instance, the products of phospholipid hydrolysis IP_3 , DAG or cAMP could be measured. For example, recent studies have implicated protein kinase A (PKA) as a possible component of *hedgehog/patched* signaling (Hammerschmidt et al. (1996) *Genes & Dev* 10:647). High PKA activity has been shown to antagonize *hedgehog* signaling in these systems. Although it is unclear whether PKA acts directly downstream or in parallel with *hedgehog* signaling, it is possible that *hedgehog* signalling occurs via inhibition of PKA activity. Thus, detection of PKA activity provides a potential readout for the instant assays.

In a preferred embodiment, the *ptc* therapeutic is a PKA inhibitor. A variety of PKA inhibitors are known in the art, including both peptidyl and organic compounds. For instance, the *ptc* therapeutic can be a 5-isoquinolinesulfonamide, such as represented in the general formula:



wherein,

R_1 and R_2 each can independently represent hydrogen, and as valence and stability permit a lower alkyl, a lower alkenyl, a lower alkynyl, a carbonyl (such as a carboxyl, an ester, a formate, or a ketone), a thiocarbonyl (such as a thioester, a thioacetate, or a thioformate), an amino, an acylamino, an amido, a cyano, a nitro, an azido, a sulfate, a sulfonate, a sulfonamido, $-(CH_2)_m-R_8$, $-(CH_2)_m-OH$, $-(CH_2)_m-O$ -lower alkyl, $-(CH_2)_m-O$ -

lower alkenyl, $-(CH_2)_n-O-(CH_2)_m-R_8$, $-(CH_2)_m-SH$, $-(CH_2)_m-S$ -lower alkyl, $-(CH_2)_m-S$ -lower alkenyl, $-(CH_2)_n-S-(CH_2)_m-R_8$, or

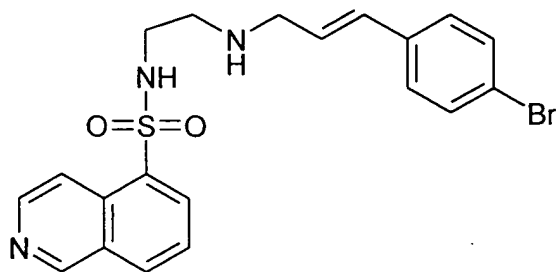
R_1 and R_2 taken together with N form a heterocycle (substituted or unsubstituted);

R_3 is absent or represents one or more substitutions to the isoquinoline ring such as a lower alkyl, a lower alkenyl, a lower alkynyl, a carbonyl (such as a carboxyl, an ester, a formate, or a ketone), a thiocarbonyl (such as a thioester, a thioacetate, or a thioformate), an amino, an acylamino, an amido, a cyano, a nitro, an azido, a sulfate, a sulfonate, a sulfonamido, $-(CH_2)_m-R_8$, $-(CH_2)_m-OH$, $-(CH_2)_m-O$ -lower alkyl, $-(CH_2)_m-O$ -lower alkenyl, $-(CH_2)_n-O-(CH_2)_m-R_8$, $-(CH_2)_m-SH$, $-(CH_2)_m-S$ -lower alkyl, $-(CH_2)_m-S$ -lower alkenyl, $-(CH_2)_n-S-(CH_2)_m-R_8$;

R_8 represents a substituted or unsubstituted aryl, aralkyl, cycloalkyl, cycloalkenyl, or heterocycle; and

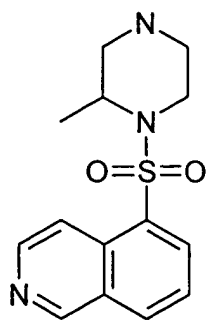
n and m are independently for each occurrence zero or an integer in the range of 1 to 6.

In a preferred embodiment, the PKA inhibitor is N-[2-((p-bromocinnamyl)amino)ethyl]-5-isoquinolinesulfonamide (H-89; Calbiochem Cat. No. 371963), e.g., having the formula:

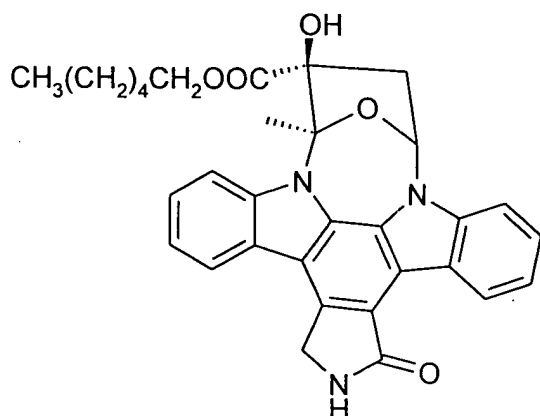


In another embodiment, the PKA inhibitor is 1-(5-isoquinolinesulfonyl)-2-methylpiperazine (H-7; Calbiochem Cat. No. 371955), e.g., having the formula:

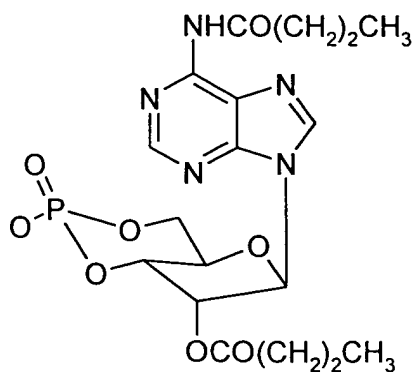
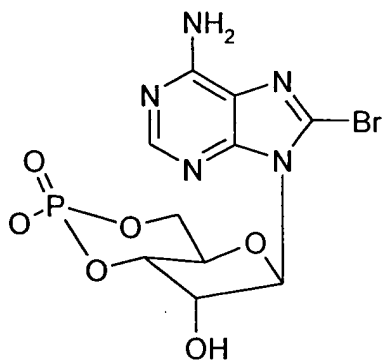
HUV-032.01



In still other embodiments, the PKA inhibitor is KT5720 (Calbiochem Cat. No. 420315), having the structure



- 5 A variety of nucleoside analogs are also useful as PKA inhibitors. For example, the subject method can be carried out cyclic AMP analogs which inhibit the kinase activity of PKA, as for example, 8-bromo-cAMP or dibutyl-cAMP



Exemplary peptidyl inhibitors of PKA activity include the PKA Heat Stable Inhibitor (isoform α ; see, for example, Calbiochem Cat. No. 539488, and Wen et al. (1995) *J Biol Chem* 270:2041).

Certain *hedehog* receptors may stimulate the activity of phospholipases. Inositol
 5 lipids can be extracted and analyzed using standard lipid extraction techniques. Water soluble derivatives of all three inositol lipids (IP₁, IP₂, IP₃) can also be quantitated using radiolabelling techniques or HPLC.

The mobilization of intracellular calcium or the influx of calcium from outside the cell may be a response to *hedehog* stimulation or lack thereof. Calcium flux in the reagent
 10 cell can be measured using standard techniques. The choice of the appropriate calcium indicator, fluorescent, bioluminescent, metallochromic, or Ca⁺⁺-sensitive microelectrodes depends on the cell type and the magnitude and time constant of the event under study (Borle (1990) *Environ Health Perspect* 84:45-56). As an exemplary method of Ca⁺⁺ detection, cells could be loaded with the Ca⁺⁺-sensitive fluorescent dye fura-2 or indo-1, using standard
 15 methods, and any change in Ca⁺⁺ measured using a fluorometer.

In certain embodiments of the assay, it may be desirable to screen for changes in cellular phosphorylation. As an example, the drosophila gene *fused* (fu) which encodes a serine/threonine kinase has been identified as a potential downstream target in *hedehog* signaling. (Preat et al., 1990 *Nature* 347, 87-89; Therond et al. 1993, *Mech. Dev.* 44, 65-80).
 20 The ability of compounds to modulate serine/threonine kinase activation could be screened using colony immunoblotting (Lyons and Nelson (1984) *Proc. Natl. Acad. Sci. USA* 81:7426-7430) using antibodies against phosphorylated serine or threonine residues. Reagents for performing such assays are commercially available, for example, phosphoserine and phosphothreonine specific antibodies which measure increases in phosphorylation of those
 25 residues can be purchased from commercial sources.

In yet another embodiment, the *ptc* therapeutic is an antisense molecule which inhibits expression of a protein involved in a *patched*-mediated signal transduction pathway. To illustrate, by inhibiting the expression of a protein which are involved in *patched* signals,

such as fused, costal-2, smoothened and/or Gli genes, the ability of the *patched* signal pathway(s) to inhibit proliferation of a cell can be altered, e.g., potentiated or repressed.

As used herein, "antisense" therapy refers to administration or *in situ* generation of oligonucleotide probes or their derivatives which specifically hybridize (e.g. bind) under cellular conditions with cellular mRNA and/or genomic DNA encoding a *hedgehog* protein, *patched*, or a protein involved in *patched*-mediated signal transduction. The hybridization should inhibit expression of that protein, e.g. by inhibiting transcription and/or translation. The binding may be by conventional base pair complementarity, or, for example, in the case of binding to DNA duplexes, through specific interactions in the major groove of the double helix. In general, "antisense" therapy refers to the range of techniques generally employed in the art, and includes any therapy which relies on specific binding to oligonucleotide sequences.

An antisense construct of the present invention can be delivered, for example, as an expression plasmid which, when transcribed in the cell, produces RNA which is complementary to at least a unique portion of the target cellular mRNA. Alternatively, the antisense construct is an oligonucleotide probe which is generated *ex vivo* and which, when introduced into the cell causes inhibition of expression by hybridizing with the mRNA and/or genomic sequences of a target gene. Such oligonucleotide probes are preferably modified oligonucleotide which are resistant to endogenous nucleases, e.g. exonucleases and/or endonucleases, and is therefore stable *in vivo*. Exemplary nucleic acid molecules for use as antisense oligonucleotides are phosphoramidate, phosphothioate and methylphosphonate analogs of DNA (see also U.S. Patents 5,176,996; 5,264,564; and 5,256,775). Additionally, general approaches to constructing oligomers useful in antisense therapy have been reviewed, for example, by Van der Krol et al. (1988) *Biotechniques* 6:958-976; and Stein et al. (1988) *Cancer Res* 48:2659-2668.

Several considerations should be taken into account when constructing antisense oligonucleotides for the use in the methods of the invention: (1) oligos should have a GC content of 50% or more; (2) avoid sequences with stretches of 3 or more G's; and (3) oligonucleotides should not be longer than 25-26 mers. When testing an antisense oligonucleotide, a mismatched control can be constructed. The controls can be generated by

reversing the sequence order of the corresponding antisense oligonucleotide in order to conserve the same ratio of bases.

In an illustrative embodiment, the *ptc* therapeutic can be an antisense construct for inhibiting the expression of *patched*, e.g., to mimic the inhibition of *patched* by *hedgehog*.

5 Exemplary antisense constructs include:

5'-GTCCTGGCGCCGCCGCCGCCGTCGCC

5'-TTCCGATGACCGGCCTTTCGCGGTGA

5'-GTGCACGGAAAGGTGCAGGCCACACT

10 VI. Exemplary pharmaceutical preparations of *hedgehog* and *ptc* therapeutics

The source of the *hedgehog* and *ptc* therapeutics to be formulated will depend on the particular form of the agent. Small organic molecules and peptidyl fragments can be chemically synthesized and provided in a pure form suitable for pharmaceutical/cosmetic usage. Products of natural extracts can be purified according to techniques known in the art.

15 For example, the Cox et al. U.S. Patent 5,286,654 describes a method for purifying naturally occurring forms of a secreted protein and can be adapted for purification of *hedgehog* polypeptides. Recombinant sources of *hedgehog* polypeptides are also available. For example, the gene encoding *hedgehog* polypeptides, are known, *inter alia*, from PCT publications WO 95/18856 and WO 96/17924.

20 Those of skill in treating lung tissues can determine the effective amount of an *ptc*, *hedgehog* or *fgf-10* therapeutic to be formulated in a pharmaceutical or cosmetic preparation.

The *ptc*, *hedgehog* or *fgf-10* therapeutic formulations used in the method of the invention are most preferably applied in the form of appropriate compositions. As appropriate compositions there may be cited all compositions usually employed for systemically or
25 topically administering drugs. The pharmaceutically acceptable carrier should be substantially inert, so as not to act with the active component. Suitable inert carriers include water, alcohol polyethylene glycol, mineral oil or petroleum gel, propylene glycol and the like.

To prepare the pharmaceutical compositions of this invention, an effective amount of the particular *ptc*, *hedgehog* or *fgf-10* therapeutic as the active ingredient is combined in intimate admixture with a pharmaceutically acceptable carrier, which carrier may take a wide variety of forms depending on the form of preparation desired for administration. These pharmaceutical compositions are desirable in unitary dosage form suitable, particularly, for administration orally, rectally, percutaneously, or by parenteral injection. For example, in preparing the compositions in oral dosage form, any of the usual pharmaceutical media may be employed such as, for example, water, glycols, oils, alcohols and the like in the case of oral liquid preparations such as suspensions, syrups, elixirs and solutions; or solid carriers such as starches, sugars, kaolin, lubricants, binders, disintegrating agents and the like in the case of powders, pills, capsules, and tablets. Because of their ease in administration, tablets and capsules represents the most advantageous oral dosage unit form, in which case solid pharmaceutical carriers are obviously employed. For parenteral compositions, the carrier will usually comprise sterile water, at least in large part, though other ingredients, for example, to aid solubility, may be included. Injectable solutions, for example, may be prepared in which the carrier comprises saline solution, glucose solution or a mixture of saline and glucose solution. Injectable suspensions may also be prepared in which case appropriate liquid carriers, suspending agents and the like may be employed. Also included are solid form preparations which are intended to be converted, shortly before use, to liquid form preparations. In the compositions suitable for percutaneous administration, the carrier optionally comprises a penetration enhancing agent and/or a suitable wetting agent, optionally combined with suitable additives of any nature in minor proportions, which additives do not introduce a significant deleterious effect on the skin.

In addition to the direct topical application of the preparations they can be topically administered by other methods, for example, encapsulated in a temperature and/or pressure sensitive matrix or in film or solid carrier which is soluble in body fluids and the like for subsequent release, preferably sustained-release of the active component.

As appropriate compositions for topical application there may be cited all compositions usually employed for topically administering therapeutics, e.g., creams, gellies, dressings, shampoos, tinctures, pastes, ointments, salves, powders, liquid or semiliquid

formulation and the like. Application of said compositions may be by aerosol e.g. with a propellant such as nitrogen carbon dioxide, a freon, or without a propellant such as a pump spray, drops, lotions, or a semisolid such as a thickened composition which can be applied by a swab. In particular compositions, semisolid compositions such as salves, creams, pastes, gellies, ointments and the like will conveniently be used.

It is especially advantageous to formulate the subject compositions in dosage unit form for ease of administration and uniformity of dosage. Dosage unit form as used in the specification and claims herein refers to physically discrete units suitable as unitary dosages, each unit containing a predetermined quantity of active ingredient calculated to produce the desired therapeutic effect in association with the required pharmaceutical carrier. Examples of such dosage unit forms are tablets (including scored or coated tablets), capsules, pills, powders packets, wafers, injectable solutions or suspensions, teaspoonfuls, tablespoonfuls and the like, and segregated multiples thereof.

The pharmaceutical preparations of the present invention can be used, as stated above, for the many applications which can be considered cosmetic uses. Cosmetic compositions known in the art, preferably hypoallergic and pH controlled are especially preferred, and include toilet waters, packs, lotions, skin milks or milky lotions. The preparations contain, besides the *ptc*, *hedgehog* or *fgf-10* therapeutic, components usually employed in such preparations. Examples of such components are oils, fats, waxes, surfactants, humectants, thickening agents, antioxidants, viscosity stabilizers, chelating agents, buffers, preservatives, perfumes, dyestuffs, lower alkanols, and the like. If desired, further ingredients may be incorporated in the compositions, e.g. antiinflammatory agents, antibacterials, antifungals, disinfectants, vitamins, sunscreens, antibiotics, or other anti-acne agents.

Examples of oils comprise fats and oils such as olive oil and hydrogenated oils; waxes such as beeswax and lanolin; hydrocarbons such as liquid paraffin, ceresin, and squalane; fatty acids such as stearic acid and oleic acid; alcohols such as cetyl alcohol, stearyl alcohol, lanolin alcohol, and hexadecanol; and esters such as isopropyl myristate, isopropyl palmitate and butyl stearate. As examples of surfactants there may be cited anionic surfactants such as sodium stearate, sodium cetylsulfate, polyoxyethylene laurylether phosphate, sodium N-acyl glutamate; cationic surfactants such as stearyldimethylbenzylammonium chloride and

stearyltrimethylammonium chloride; ampholytic surfactants such as alkylaminoethylglycine hydrochloride solutions and lecithin; and nonionic surfactants such as glycerin monostearate, sorbitan monostearate, sucrose fatty acid esters, propylene glycol monostearate, polyoxyethylene oleylether, polyethylene glycol monostearate, polyoxyethylene sorbitan
 5 monopalmitate, polyoxyethylene coconut fatty acid monoethanolamide, polyoxypropylene glycol (e.g. the materials sold under the trademark "Pluronic"), polyoxyethylene castor oil, and polyoxyethylene lanolin. Examples of humectants include glycerin, 1,3-butylene glycol, and propylene glycol; examples of lower alcohols include ethanol and isopropanol; examples of thickening agents include xanthan gum, hydroxypropyl cellulose, hydroxypropyl methyl
 10 cellulose, polyethylene glycol and sodium carboxymethyl cellulose; examples of antioxidants comprise butylated hydroxytoluene, butylated hydroxyanisole, propyl gallate, citric acid and ethoxyquin; examples of chelating agents include disodium edetate and ethanehydroxy diphosphate; examples of buffers comprise citric acid, sodium citrate, boric acid, borax, and disodium hydrogen phosphate; and examples of preservatives are methyl
 15 parahydroxybenzoate, ethyl parahydroxybenzoate, dehydroacetic acid, salicylic acid and benzoic acid.

For preparing ointments, creams, toilet waters, skin milks, and the like, typically from 0.01 to 10% in particular from 0.1 to 5% and more in particular from 0.2 to 2.5% of the active ingredient, e.g., of the *ptc*, *hedgehog* or *fgf-10* therapeutic, will be incorporated in the
 20 compositions. In ointments or creams, the carrier for example consists of 1 to 20%, in particular 5 to 15% of a humectant, 0.1 to 10% in particular from 0.5 to 5% of a thickener and water; or said carrier may consist of 70 to 99%, in particular 20 to 95% of a surfactant, and 0 to 20%, in particular 2.5 to 15% of a fat; or 80 to 99.9% in particular 90 to 99% of a thickener; or 5 to 15% of a surfactant, 2-15% of a humectant, 0 to 80% of an oil, very small (
 25 < 2%) amounts of preservative, coloring agent and/or perfume, and water. In a toilet water, the carrier for example consists of 2 to 10% of a lower alcohol, 0.1 to 10% or in particular 0.5 to 1% of a surfactant, 1 to 20%, in particular 3 to 7% of a humectant, 0 to 5% of a buffer, water and small amounts (< 2%) of preservative, dyestuff and/or perfume. In a skin milk, the carrier typically consists of 10-50% of oil, 1 to 10% of surfactant, 50-80% of water and 0 to
 30 3% of preservative and/or perfume. In the aforementioned preparations, all % symbols refer to weight by weight percentage.

Particular compositions for use in the method of the present invention are those wherein the *ptc*, *hedgehog* or *fgf-10* therapeutic is formulated in liposome-containing compositions. Liposomes are artificial vesicles formed by amphiphatic molecules such as polar lipids, for example, phosphatidyl cholines, ethanolamines and serines, sphingomyelins, 5 cardiolipins, plasmalogens, phosphatidic acids and cerebiosides. Liposomes are formed when suitable amphiphathic molecules are allowed to swell in water or aqueous solutions to form liquid crystals usually of multilayer structure comprised of many bilayers separated from each other by aqueous material (also referred to as coarse liposomes). Another type of liposome known to be consisting of a single bilayer encapsulating aqueous material is 10 referred to as a unilamellar vesicle. If water-soluble materials are included in the aqueous phase during the swelling of the lipids they become entrapped in the aqueous layer between the lipid bilayers.

Water-soluble active ingredients such as, for example, various salt forms of a *hedgehog* polypeptide, are encapsulated in the aqueous spaces between the molecular layers. 15 The lipid soluble active ingredient of *ptc*, *hedgehog* or *fgf-10* therapeutic, such as an organic mimetic, is predominantly incorporated into the lipid layers, although polar head groups may protude from the layer into the aqueous space. The encapsulation of these compounds can be achieved by a number of methods. The method most commonly used involves casting a thin film of phospholipid onto the walls of a flask by evaporation from an organic solvent. When 20 this film is dispersed in a suitable aqueous medium, multilamellar liposomes are formed. Upon suitable sonication, the coarse liposomes form smaller similarly closed vesicles.

Water-soluble active ingredients are usually incorporated by dispersing the cast film with an aqueous solution of the compound. The unencapsulated compound is then removed by centrifugation, chromatography, dialysis or other art-known suitable procedures. The 25 lipid-soluble active ingredient is usually incorporated by dissolving it in the organic solvent with the phospholipid prior to casting the film. If the solubility of the material in the lipid phase is not exceeded or the amount present is not in excess of that which can be bound to the lipid, liposomes prepared by the above method usually contain most of the material bound in the lipid bilayers; separation of the liposomes from unencapsulated material is not required.

A particularly convenient method for preparing liposome formulated forms of *hedgehog* and *ptc* therapeutics is the method described in EP-A-253,619, incorporated herein by reference. In this method, single bilayered liposomes containing encapsulated active ingredients are prepared by dissolving the lipid component in an organic medium, injecting
5 the organic solution of the lipid component under pressure into an aqueous component while simultaneously mixing the organic and aqueous components with a high speed homogenizer or mixing means, whereupon the liposomes are formed spontaneously.

The single bilayered liposomes containing the encapsulated *ptc*, *hedgehog* or *fgf-10* therapeutic can be employed directly or they can be employed in a suitable pharmaceutically
10 acceptable carrier for topical administration. The viscosity of the liposomes can be increased by the addition of one or more suitable thickening agents such as, for example xanthan gum, hydroxypropyl cellulose, hydroxypropyl methylcellulose and mixtures thereof. The aqueous component may consist of water alone or it may contain electrolytes, buffered systems and other ingredients, such as, for example, preservatives. Suitable electrolytes which can be
15 employed include metal salts such as alkali metal and alkaline earth metal salts. The preferred metal salts are calcium chloride, sodium chloride and potassium chloride. The concentration of the electrolyte may vary from zero to 260 mM, preferably from 5 mM to 160 mM. The aqueous component is placed in a suitable vessel which can be adapted to effect homogenization by effecting great turbulence during the injection of the organic component.
20 Homogenization of the two components can be accomplished within the vessel, or, alternatively, the aqueous and organic components may be injected separately into a mixing means which is located outside the vessel. In the latter case, the liposomes are formed in the mixing means and then transferred to another vessel for collection purpose.

The organic component consists of a suitable non-toxic, pharmaceutically acceptable
25 solvent such as, for example ethanol, glycerol, propylene glycol and polyethylene glycol, and a suitable phospholipid which is soluble in the solvent. Suitable phospholipids which can be employed include lecithin, phosphatidylcholine, phosphatidylserine, phosphatidylethanolamine, phosphatidylinositol, lysophosphatidylcholine and phosphatidyl glycerol, for example. Other lipophilic additives may be employed in order to selectively modify the

characteristics of the liposomes. Examples of such other additives include stearylamine, phosphatidic acid, tocopherol, cholesterol and lanolin extracts.

In addition, other ingredients which can prevent oxidation of the phospholipids may be added to the organic component. Examples of such other ingredients include tocopherol, butylated hydroxyanisole, butylated hydroxytoluene, ascorbyl palmitate and ascorbyl oleate. Preservatives such as benzoic acid, methyl paraben and propyl paraben may also be added.

Apart from the above-described compositions, use may be made of covers, e.g. plasters, bandages, dressings, gauze pads and the like, containing an appropriate amount of a *ptc*, *hedgehog* or *fgf-10* therapeutic. In some cases use may be made of plasters, bandages, dressings, gauze pads and the like which have been impregnated with a topical formulation containing the therapeutic formulation.

Exemplification

The invention now being generally described, it will be more readily understood by reference to the following examples which are included merely for purposes of illustration of certain aspects and embodiments of the present invention, and are not intended to limit the invention.

The mammalian lung, like many other organs, develops by branching morphogenesis of an epithelium [see ref. 1]. Development initiates with evagination of two ventral buds of foregut endoderm into the underlying splanchnic mesoderm. As they extend, they send out lateral branches at precise, invariant positions establishing the primary airways and the lobes of each lung. Dichotomous branching leads to further extension of the airways. Grafting studies have demonstrated the importance of bronchial mesenchyme in inducing epithelial branching, but the significance of epithelial signaling is largely unstudied. The morphogen *Sonic hedgehog* (*Shh*) is widely expressed in the foregut endoderm and is specifically up-regulated in the distal epithelium of the lung where branching is occurring [see ref. 2]. Ectopic expression of *Shh* disrupts branching and increases proliferation suggesting that local *Shh* signaling regulates lung development [see ref. 2]. We report here that *Shh* is essential for

development of the respiratory system. In *Shh* null mutants, the trachea and esophagus do not separate properly and the lungs form a rudimentary sac due to failure of branching and growth after formation of the primary lung buds. Interestingly, normal proximo-distal differentiation of the airway epithelium occurs, indicating that *Shh* is not needed for
 5 differentiation events. In addition, the transcription of several mesenchymally expressed downstream targets of *Shh* is abolished. These results highlight the importance of epithelially derived *Shh* in regulating branching morphogenesis of the lung.

Results and discussion

10 To address the role of *Shh* in respiratory tract development, we examined a null mutant of the gene (3). At 10.5 days *post coitum* (dpc) of embryonic mouse development, the lung of wild- type (wt) siblings consists of a left and right bud [see ref. 1]. By 12.5 dpc, the trachea epithelium has separated ventrally from the esophageal component of the foregut and the two lung buds have formed several lateral branches which will give rise to primary
 15 airways of the lung lobes (Figure 1a-c). In contrast, the esophageal and tracheal tubes remain closely associated in *Shh* mutants (Figure 1d,e) and although left and right buds form, they either have not branched or possess one abnormally positioned branch point (Figure 1f). Wild- type lungs undergo considerable growth and branching in organ culture. However, in explant culture of lungs from *Shh* mutants, bronchial mesenchyme cells detach from the
 20 endoderm and the epithelium fails to grow, or branch extensively (data not shown). We conclude that the defect in branching morphogenesis is independent of other *Shh*-expressing organs (i.e., the gut), and that the observed branching phenotype reflects an absence of *Shh* signaling which is normally associated with the branching process.

To determine if branching is merely delayed and whether *Shh* plays a role in
 25 differentiation, we examined lungs removed at 15.5 (data not shown) and 18.5 dpc (Figure 1g,h). At this time, five well-developed lobes are evident in the wild-type (four right, one left), and highly branched airways form a ramifying epithelial network, the respiratory tree (Figure 1i,k,l). To mediate gas exchange in the alveolar sacs, the respiratory surface is well vascularized (Figure 1g). In contrast, *Shh* mutants form only a rudimentary respiratory organ
 30 with a few large, poorly vascularized airways (Figure 1h). Trachea and esophagus are so

closely juxtaposed that their tubes share some common epithelium (Figure 1e) and a fistula-like fusion of the alimentary and respiratory tract is formed, mirroring a lethal anomaly well described in human pathology [see ref. 4,5] (Figure 1j,m).

Remarkably, despite the absence of branching, evidence of normal proximo-distal epithelial differentiation can be observed. Most proximally, the pulmonary epithelium forms a columnar epithelium typical of the mainstem bronchi (Figure 1m) and expresses *CCSP* [see ref. 6], a marker for terminally differentiated secretory Clara cells (Figure 1q). More distally, the epithelium consists of a mixture of columnar and cuboidal epithelium as observed in the bronchioles (Figure 1n), and alveolar air sacs are formed which correspondingly express *SP-C* [see ref. 7], a type II pneumocyte marker (Figure 1r).

In summary, *Shh* is not required for proximo-distal differentiation of lung epithelium, but is essential for three different events of regional morphogenesis of the foregut endoderm, formation of the tracheoesophageal septum, lung lobation and generation of the respiratory tree, all of which are essential in forming a functional lung.

The exact role for *Shh* in branching processes remains to be determined. Grafting studies indicate that, whereas budding can be supported by mesenchyme from many different sources, only bronchial mesenchyme can induce organotypic branching morphogenesis [see ref. 8]. The requirement for *Shh* in the epithelium suggests that regulation of its expression may be a reciprocal epithelial response to mesenchymal signaling.

To examine in more detail how *Shh* might regulate early branching of the lung epithelium, we performed digoxigenin *in situ* hybridization with probes recognizing general targets of *Hedgehog* signaling (Figure 2a-e and data not shown), or genes specifically implicated in lung morphogenesis (Figure 2f-k). As *Shh* mutants are growth retarded and show a general delay in lung budding, we compared expression of these markers at 12.5 dpc with wild type embryos collected at 11.5 and 12.5 dpc.

Patched genes encode proteins thought to be *Hedgehog* receptors, while *Gli*-genes encode transcriptional mediators of *Hedgehog* signaling [see ref. 9]. Both *Ptc-1* and *Gli-1* are up-regulated when *Shh* is ectopically expressed in the lung indicating that here, as elsewhere in the embryo, they are transcriptional targets of *Shh* signaling [see ref. 9,10]. Consistent with

this model, *Ptc-1* and *Gli-1* are normally expressed in the mesenchyme of wild-type embryos with highest levels at the distal branch points mirroring epithelial *Shh* expression [see ref. 10] (Figure 2a,c). In *Shh* mutants, only basal levels of expression of both genes are detected (Figure 2a,c). *Gli-3* which shows more wide-spread expression in the mesenchyme is also
 5 down-regulated (Figure 2e). In contrast, *Ptc-2* which is expressed at higher levels in the epithelium and *Gli-2*, which is normally expressed more uniformly in the mesenchyme are not altered (Figure 2b,d). These data indicate that the lung mesenchyme, not the epithelium, is most likely the direct cellular target of Shh signaling. Further, they suggest that modulation of *Gli-1* and *Gli-3* transcription may be a critical aspect of lung morphogenesis. As *Gli-1*
 10 mutants do not have a lung phenotype, the *Shh* phenotype cannot simply be ascribed to a loss of *Gli-1* transcriptional activity [see ref. 10]. Given that post-transcriptional processing regulates *Gli* (*Ci*) activity in invertebrates [see ref. 11], we cannot rule out that *Gli-2* is expressed, but posttranscriptionally inactivated. *Gli* genes are clearly involved in lung development, as evidenced by the relatively weak lobular hypoplasia observed in *Gli-3*
 15 mutants [see ref. 10], but revealing the full extent of *Gli* action may require the generation of compound mutants.

Several lines of evidence indicate that *hedgehog* signaling regulates the expression of *Bmp*, *Wnt* and *FGF* family members [see ref. 11]. In the lung, *Bmp-4* is strongly expressed in the distal-most tips of the epithelium. Ectopic expression results in decreased epithelial
 20 proliferation, disrupted branching and reduced differentiation of distal cell types in the airway [see ref. 12]. In *Shh* mutants, *Bmp 4* is expressed in the normal position but at higher levels (Figure 2f), suggesting that enhanced *Bmp 4* signaling could contribute to the block in branching. *Wnt-7b* is normally expressed in the lung epithelium and is required for normal branching (S. Lee, W. Cardoso, B. Parr & A. McMahon; unpublished), whereas *Wnt-2* is
 25 expressed in the underlying mesenchyme suggesting a role in epithelial maintenance [see ref. 2]. In *Shh* mutants, *Wnt-7b* expression is not altered (Figure 2g) but *Wnt-2* expression is down-regulated (Figure 2h). This observation lends further support to the model that the lung mesenchyme is the primary target of Shh signaling and indicates that mesenchymal signaling is abnormal in *Shh* mutants. However, no role for *Wnt-2* in lung development has been
 30 reported in *Wnt-2* mutants [see ref. 13].

Ectopic expression of a dominant negative form of *FGF-R2* in the lung epithelium arrests branching after formation of left and right buds which then grow caudally as tubes, differentiating into proximal epithelial structures only [see ref. 14]. An arrest in branching after initial budding is reminiscent of *Shh* mutants, but there are clearly differences in subsequent morphogenesis and differentiation which is largely unaffected in *Shh* mutants. The recent observation that *Fgf10* is expressed in mesenchyme cells preceding branch formation and can induce branching of lung epithelium in culture, points to its role as a putative ligand [see ref. 15]. In *Shh* mutants, expression of *FGF-R2* is unaltered (Figure 2I). In contrast, *Fgf10* which in wild-type embryos is highly localized to small patches of mesenchyme at a distance from the lung epithelium (arrows in Figure 2j), is expressed broadly in mesenchyme immediately adjacent to the epithelium in the mutant lung. These results indicate that *Shh* is not required for *Fgf10* expression. Further, they suggest that Shh signaling may spatially restrict *Fgf10* expression to the distal mesenchyme. Such an inhibitory role for Shh in the local regulation of *Fgf10* expression is supported by transgenic studies [see ref. 16]. The intriguing possibility that the altered position of *Fgf10* expression then disrupts branching remains to be determined.

HNF-3 β and *Nkx-2.1* are specific transcriptional effectors of Shh signaling in the neural tube. In the gut, *HNF-3b* is widely expressed in the epithelium, including the lung, whereas *Nkx-2.1* expression is specific to the lung epithelium and a few other endodermal derivatives [see ref. 17]. Mice lacking *Nkx 2.1* develop cystic unbranched lungs indicating that it is essential for lung morphogenesis [see ref. 17]. Expression of both genes is unaltered in the epithelium of *Shh* mutant lungs suggesting that in this organ their expression is independent of the Shh signaling pathway (Figure 2k and data not shown).

As loss of *Shh* activity predominantly affects the expression of mesenchyme markers, we analyzed late mesenchyme differentiation. Formation of cartilage rings, albeit disorganized, occurs in the mutant (Figure 3a), while the layer of smooth muscle typically lining the proximal epithelium is absent (Figure 3b). The observation that Shh is required for formation of smooth muscle is in agreement with previous studies [see ref. 18].

In summary, the results reported here establish Shh as a regulator of foregut development and more specifically as a key factor in the control of branching morphogenesis

in the mouse lung. They also indicate that the genetic control of growth and branching in the lung epithelium is most likely a complex process involving both epithelial and mesenchymal interactions at the branch points, and that the downstream targets of Shh signaling in this organ are primarily mesenchymally expressed genes.

5

Materials and methods

Shh mutants

Generation of the *Shh* mutants has been described elsewhere [see ref. 3]. Mice homozygous for the null allele appear phenotypically identical to those reported in [see ref. 19].

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Histological/in situ analysis

Tissue was processed for standard histology, or a modified *in situ* hybridization procedure [see ref. 20].

15

Antibody staining

Antibody staining with a monoclonal antibody against smooth muscle actin (Sigma) was carried out according to the manufacturer's instructions.

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15 All of the above-cited references and publications are hereby incorporated by reference.

Equivalents

20 Those skilled in the art will recognize, or be able to ascertain using no more than routine experimentation, numerous equivalents to the specific polypeptides, nucleic acids, methods, assays and reagents described herein. Such equivalents are considered to be within the scope of this invention.